

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name Mott Community College	County Genesee
Audit Date 6/30/04	Opinion Date 9/9/04	Date Accountant Report Submitted to State:		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

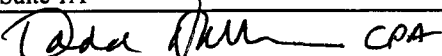
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1-968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 1 00% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 E. Court Street, Suite 1A	City Flint	State MI	ZIP 48502
Accountant Signature  CPA			

Financial Statements

**Mott Community College
Flint, Michigan**

June 30, 2004

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Independent Auditors' Report

The Board of Trustees
Mott Community College
Flint, Michigan

We have audited the accompanying basic financial statements of Mott Community College as of and for the year ended June 30, 2004 as listed in the table of contents. These basic financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Mott Community College at June 30, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards of the United States*, we have also issued our report dated September 9, 2004 on our consideration of Mott Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis presented on pages 3-17 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information section noted in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BKR Dupuis & Ryden

BKR Dupuis & Ryden
Certified Public Accountants
Flint Office

September 9, 2004

Management's Discussion and Analysis

Mott Community College
Management's Discussion and Analysis
June 30, 2004

This discussion and analysis section of Mott Community College's ("the College's") annual financial report provides an overview of the College's financial performance for the year ended June 30, 2004. This section has been prepared by management, along with the financial statements and the related footnote disclosures, and should be read in conjunction with and is qualified in its entirety by the financial statements and footnote disclosures. Responsibility for the completeness and fairness of this information rests with the College's management.

Using this Report

This annual financial report includes the report of independent auditors, this Management's Discussion and Analysis section, the basic financial statements in the format described above, and notes to financial statements. Following the basic financial statements and footnotes are additional supplementary schedules and information. This supplementary section is not required by GASB, but is provided to give additional information regarding the various funds and activities of the College that are not disclosed in the basic financial statements.

Component Unit

In May 2002, GASB released Statement No. 39, Determining Whether Certain Organizations are Component Units. Statement No. 39 requires that separate legal entities associated with a primary government that meet certain criteria are included with the financial statements of the Primary Reporting Unit.

In compliance with this Statement, the Foundation for Mott Community College is reported as a component unit of the College and its financial activities are presented separately from the rest of the College's activities in the financial statements, in separate columns headed "Component Unit."

Financial Reporting Model

One of the most important questions asked about the College's finances is whether the College as a whole is better off or worse off as a result of the year's activities. The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the College as a whole and on its activities in a way that helps answer this question.

The Balance Sheet includes all assets and liabilities of all funds of the College, with those of The Foundation for Mott Community College shown under "Component Unit" columns. The Balance Sheet is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when a service is provided, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenue, Expenses and Changes in Net Assets presents the revenue earned and the expenses incurred during the year. It includes all funds of the College, excluding activities of Agency Funds.

Activities are reported as either operating or non-operating. The financial reporting model classifies state appropriations, property taxes and gifts as non-operating revenues. Community colleges' dependency on state aid, property taxes and gifts results in an operating deficit.

**Mott Community College
Management's Discussion and Analysis
June 30, 2004**

The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

These two statements report the College's net assets and changes in them. Net assets are the difference between assets and liabilities, and are one way to measure the College's financial position. The relationship between revenues and expenses may be thought of as Mott Community College's operating results. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating.

Many other non-financial indicators, such as enrollment and retention trends, condition of the facilities, and quality of teaching and learning, must also be considered in assessing the overall health of the College.

Financial Highlights

The College's financial position improved during the fiscal year 2003-04, with total assets increasing from \$153.1 million to \$164.4 million. Liabilities increased to a lesser degree, from \$72.8 million to \$80.0 million, the net result of the issuance of Series 2004 Bonds on June 30, 2004 and the extinguishment of bond debt through annual bond principal payments and through early defeasance with Series 2003 Refunding bonds.

Net assets, which represent the remaining value of the College's assets after liabilities are deducted, increased from \$80.3 million to \$84.4 million, a 5.1% improvement.

Unrestricted net assets increased from \$4.1 million at June 30, 2003 to \$4.5 million at June 30, 2004, a \$437,732 improvement attributed mainly to end-of-year receipts and accruals that caused revenues from property taxes, tuition and fees, and auxiliary enterprise activities to exceed budgeted amounts.

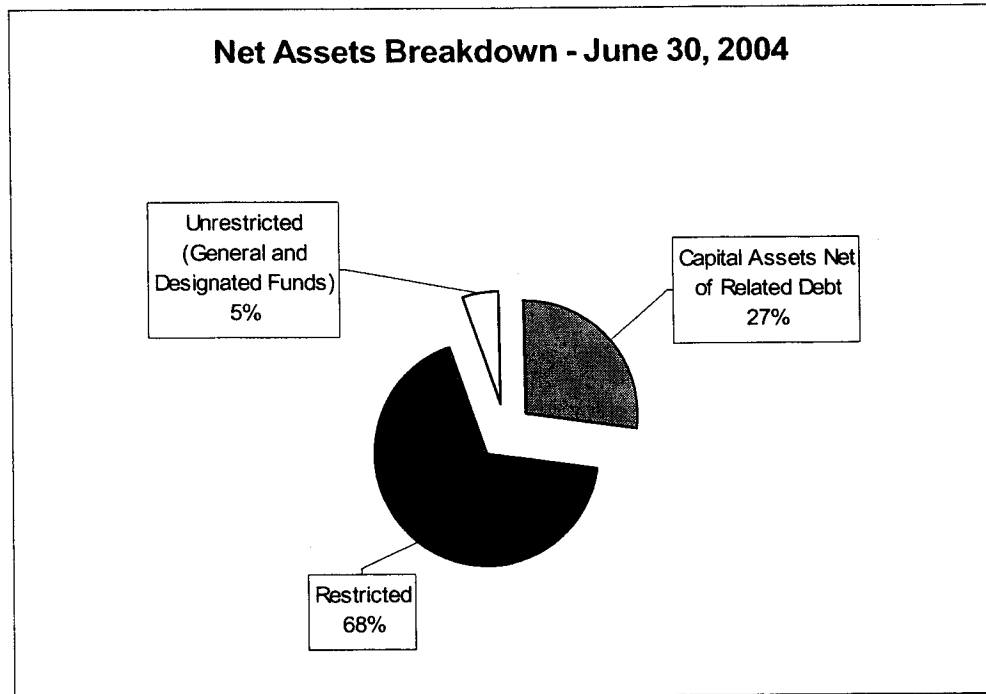
Significant increases in net assets were seen in the Restricted – Nonexpendable, and Restricted – Expendable – Capital Projects categories. Net Assets Restricted – Nonexpendable represents the investments held in endowment funds, which increased by 7.3% in market value during fiscal year 2003-04, from \$31.4 million to \$33.7 million. The increase in the Capital Projects net assets balance reflects on-hand proceeds from the June 30, 2004 sale of \$15 million in bonds to be used for capital projects over the next two years.

Net assets invested in capital assets, net of related debt showed a \$9.0 million decrease from June 30, 2003 to June 30, 2004. This decrease was the net result of the addition of \$2.6 million in new capital assets acquired during the year; the subtraction of \$4.1 million in annual depreciation expense on capital assets, and the subtraction for a \$7.5 net increase in outstanding debt from annual principal payments on bonds, the September 2003 Bond Refunding, and the June 2004 Series 2004 Bond Issuance.

In the fiscal year ended June 30, 2004, the College's revenues and other support exceeded expenses, creating an increase in total net assets of \$4.1 million (compared to an \$11.2 million increase during the previous year).

**Mott Community College
Management's Discussion and Analysis
June 30, 2004**

The following chart provides a graphical categorization of net assets for the fiscal year ended June 30, 2004:



Balance Sheet

The Balance Sheet distinguishes between current and long-term assets and liabilities, and the format (as opposed to the net assets format) presents the accounting formula as "total assets equal liabilities plus net assets." Its purpose is to provide the College's overall financial position at the fiscal year close.

The following is a condensed version of the Balance Sheet, with analysis of the major components of the net assets of the College as of June 30, 2004 compared to June 30, 2003. This illustration includes the primary government operations of the College, and does not include its component unit, the Foundation for MCC:

Mott Community College
Management's Discussion and Analysis
June 30, 2004

Mott Community College
CONDENSED BALANCE SHEET
As of June 30, 2004 and 2003
(in millions)

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
ASSETS				
Current Assets	\$ 39.4	\$ 29.1	\$ 10.3	35.4%
Noncurrent Assets	<u>\$ 125.0</u>	<u>\$ 124.0</u>	<u>\$ 1.0</u>	<u>0.8%</u>
Total Assets	<u>\$ 164.4</u>	<u>\$ 153.1</u>	<u>\$ 11.3</u>	<u>7.4%</u>
LIABILITIES				
Current Liabilities	\$ 13.0	\$ 11.5	\$ 1.5	13.0%
Noncurrent Liabilities	<u>\$ 67.0</u>	<u>\$ 61.3</u>	<u>\$ 5.7</u>	<u>9.3%</u>
Total Liabilities	\$ 80.0	\$ 72.8	\$ 7.2	9.9%
NET ASSETS				
Invested in Capital Assets, net of related debt	\$ 22.9	\$ 31.9	\$ (9.0)	-28.2%
Restricted - Nonexpendable	\$ 33.7	\$ 31.4	\$ 2.3	7.3%
Restricted - Expendable	\$ 23.3	\$ 12.9	\$ 10.4	80.6%
Unrestricted	<u>\$ 4.5</u>	<u>\$ 4.1</u>	<u>\$ 0.4</u>	<u>9.8%</u>
Total Net Assets	<u>\$ 84.4</u>	<u>\$ 80.3</u>	<u>\$ 4.1</u>	<u>5.1%</u>
Total Liabilities and Net Assets	<u>\$ 164.4</u>	<u>\$ 153.1</u>	<u>\$ 11.3</u>	<u>7.4%</u>

The primary change in the Balance Sheet related to the sale of \$15 million in Series 2004 General Obligation Building & Site Bonds on June 30, 2004, offset by the September 2003 refunding of various issuances of prior outstanding bonds. By adding bond proceeds to the short term investments balance, these two transactions are the primary reason for the \$11.3 million increase in assets. The bond transactions also caused the significant increase in liabilities, decrease in capital assets net of related debt, and increase in restricted-expendable net assets during fiscal year 2004.

Assets

Current Assets. Current assets are cash and other resources that are reasonably expected to be realized in cash, or sold or consumed during the College's next fiscal year. This classification includes cash, short-term investments, accounts receivable, inventories and prepaid expenses. The College's current assets at June 30, 2004 are \$39.4 million.

The increase in current assets from 2003 to 2004 represented the receipt of Series 2004 bond proceeds on June 30, 2004, adding to the balance in short term investments in the plant fund. The proceeds have been subsequently invested in longer term investment vehicles based on projected cash flow needs of the capital projects planned to be funded with the bonds. Decreases in current assets were seen in accounts receivable balances, both in state appropriations receivable and in other accounts receivable, but the decrease was partially offset by an increase in federal and state grants receivable. Further analysis of the cash and investment activities and positions of the College are given in the Statement of Cash Flows and in the Notes to the Financial Statements.

Mott Community College
Management's Discussion and Analysis
June 30, 2004

Noncurrent Assets. This classification includes long-term investments, the unamortized portion of bond discounts, and property and equipment net of accumulated depreciation.

Noncurrent assets of the College total \$125.0 million at June 30, 2004, with the largest portion of this balance in property and equipment (capital assets), net of accumulated depreciation. Capital assets are recorded at historical cost and not adjusted up to market value.

At June 30, 2004, the College's capital assets at cost totaled \$148.7 million, and are shown on the Balance Sheet, net of \$57.7 million in accumulated depreciation, as property and equipment at \$91.0 million.

Liabilities

Current Liabilities. The term current liabilities designates obligations for which liquidation is reasonably expected to require the use of current assets, or the creation of other current liabilities. Current liabilities are expected to be liquidated within the College's next fiscal year.

This classification includes the current portion of the College's bond debt obligations, accounts payable and accrued payroll expenses, deposits held for outside agencies and unearned revenue. The College's unearned revenue relates to early student registration for the summer and fall semesters of 2004, which are in fiscal year 2005.

Total current liabilities at June 30, 2004 are \$13.0 million, up notably from the \$11.5 million balance at June 30, 2003. The increase is mainly attributed to the Series 2004 Bond sale and the Series 2003 Bond refunding, which added a net of \$2.4 million to the current portion of debt obligations. This increase was partially offset by decreases in accounts payable, accrued interest payable and unearned revenue.

Noncurrent Liabilities. The long-term portion of debt outstanding on bonds issued, as well as accrued termination and vacation pay, are included in this classification because of the reasonable expectation that they will not be liquidated within the College's next fiscal year.

Total noncurrent or long-term liabilities equal \$67.0 million at June 30, 2004, and were increased during the fiscal year, again mostly due to the Series 2004 Bond sale.

Refer to Notes to the Financial Statements in this report for more details on the College's outstanding bond debts.

Net Assets

Net assets represent the difference between the College's assets and liabilities. The net assets at June 30, 2004 are \$84.4 million.

Net assets consist of three main components: Invested in capital assets, net of related debt; Restricted (with further purpose for restrictions); and Unrestricted (with further purpose for designations and reserves).

Invested in capital assets, net of related debt. This component represents the balance of capital assets cost, reduced by accumulated depreciation, and further reduced by outstanding balances of bond debt that was attributed to the acquisition and improvement of the assets. For the College, this balance at June 30, 2004 is \$22.9 million, calculated as \$148.7 million in capital assets, less \$57.7 million in accumulated depreciation, less \$68.1 million in outstanding bond debt.

Mott Community College
Management's Discussion and Analysis
June 30, 2004

Restricted net assets. When constraints are placed on net asset use, whether imposed by external sources such as legislation, debt covenants, grantors or government regulations, or by internal restriction, the assets are reported as restricted.

Nonexpendable restricted net assets of the College include permanent endowments that are required to be retained in perpetuity. This is the largest portion of the College's restricted net assets at June 30, 2004, at \$33.7 million. This balance, shown at market value, increased by \$2.3 million or 7.3% from \$31.4 million in the prior year.

Expendable restricted net assets include gifts and grants with specific guidelines for spending, balances of capital projects and maintenance and replacement funds to be used for capital asset acquisition and improvement, and property taxes collected from the debt levy and as such restricted for bond payments.

Unrestricted net assets represent those balances from operational activities that have not been restricted. This classification includes general fund balances as well as Board or administration designated funds.

The following table gives a comparative breakdown by category of the College's Net Assets at June 30, 2004 and June 30, 2003:

Net Assets by Category	2004 (In Millions)	2003 (In Millions)
Capital Assets Net of Related Debt	\$ 22.9	\$ 31.9
Restricted-Nonexpendable Endowments	\$ 33.7	\$ 31.4
Restricted-Loans, Scholarships, Awards	\$ 0.1	\$ 0.1
Restricted-Capital Projects	\$ 19.6	\$ 6.8
Restricted-Debt Service	\$ 3.6	\$ 6.0
Unrestricted (General and Designated Funds)	\$ 4.5	\$ 4.1
	\$ 84.4	\$ 80.3

The growth in Total Net Assets from 2003 to 2004, from \$80.3 million to \$84.4 million, was primarily due to the growth in endowment value, rapid payment schedule to extinguish long-term debt, and a surplus of revenues over expenditures in unrestricted or operating funds.

The operating surplus was created by end-of-year realization of additional revenues totaling approximately \$0.4 million. These one-time rather than ongoing increases in revenues represented bookstore commissions, property tax receipts relating to prior year delinquencies, and year-end accruals for unbilled tuition and other revenues. It is expected that some of this operating surplus may be released as a revenue source to provide for one-time expenditures within the 2004-05 operating budget.

Mott Community College
Management's Discussion and Analysis
June 30, 2004

Statement of Revenue, Expenses and Changes in Net Assets

The Statement of Revenue, Expenses and Changes in Net Assets provides the overall results of the College's operations. Revenues and expenses are recorded and recognized when incurred or earned, similar to how most corporate businesses account for transactions, and are grouped into operating and non-operating classifications. When revenues and other support exceed expenses, the result is an increase in net assets—one indication that the College as a whole is better off financially as a result of the year's activities.

The following is a condensed version of the Statement of Revenue, Expenses and Changes in Net Assets, with analysis of the major components as of June 30, 2004 compared to June 30, 2003. This illustration includes the primary government operations of the College, and does not include its component unit, the Foundation for MCC:

Mott Community College
CONDENSED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
For Years Ended June 30, 2004 and 2003
(in millions)

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Total Operating Revenues	\$ 35.0	\$ 36.5	\$ (1.5)	-4.1%
Total Operating Expenses	<u>\$ 74.1</u>	<u>\$ 75.6</u>	<u>\$ (1.5)</u>	<u>-2.0%</u>
Total Operating Loss	\$ (39.1)	\$ (39.1)	\$ -	0.0%
Nonoperating Revenues, Net	<u>\$ 42.6</u>	<u>\$ 42.0</u>	<u>\$ 0.6</u>	<u>1.4%</u>
Income before other revenues and expenses	\$ 3.5	\$ 2.9	\$ 0.6	-20.7%
Other Revenues, Net	<u>\$ 0.6</u>	<u>\$ 8.3</u>	<u>\$ (7.7)</u>	<u>-92.8%</u>
Total Increase in Net Assets	\$ 4.1	\$ 11.2	\$ (7.1)	63.4%
Net Assets, Beginning of Year	<u>\$ 80.3</u>	<u>\$ 69.1</u>	<u>\$ 11.2</u>	<u>16.2%</u>
Net Assets, End of Year	<u>\$ 84.4</u>	<u>\$ 80.3</u>	<u>\$ 4.1</u>	<u>5.1%</u>

Operating Revenues

This category includes all exchange transactions such as tuition and fees, grants and contracts for services except those for capital purposes, auxiliary enterprise activities (bookstore, food service, day care), and other miscellaneous sales and rental income.

**Mott Community College
Management's Discussion and Analysis
June 30, 2004**

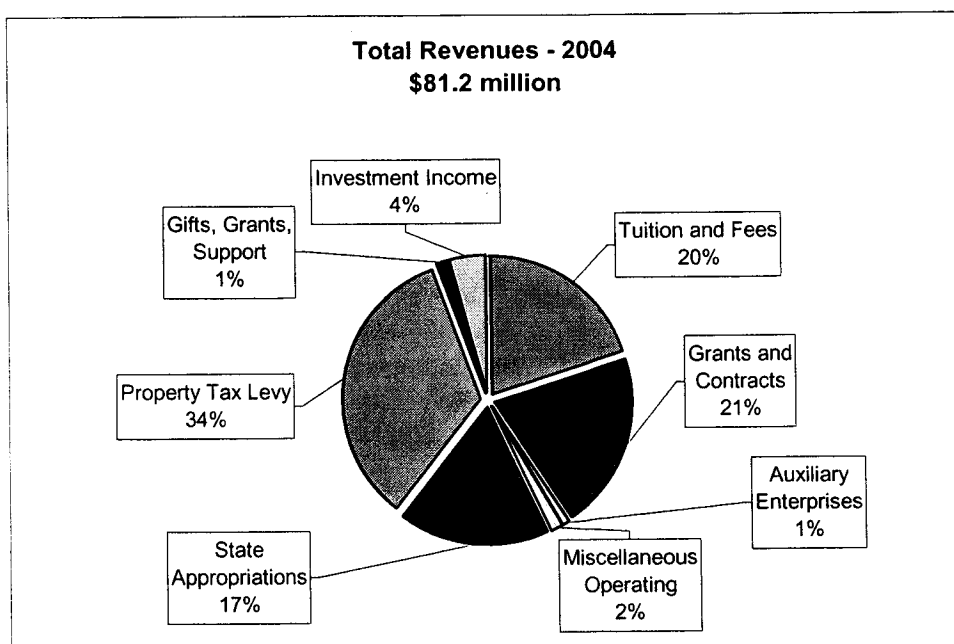
Total operating revenues decreased \$1.5 million, or -4.1%, from 2003 to 2004, as a result of the following:

- Tuition and fee revenue increased by approximately \$1.2 million to \$22.5 million. This 5.6% total increase was due to a 3% increase in credit course enrollment from the prior year and 9.8% and 13.8% tuition and fee rate increases for in-district and out-district/out-state, respectively, effective with the fall 2003 semester. This increase was partially offset by a decline in noncredit training revenues.

When the portion of this revenue covered by student financial aid is subtracted, however (as presented on the statement as "less scholarship allowances"), net tuition and fee revenue was almost unchanged from 2002-03 to 2003-04, actually showing a slight decline of 0.2%. This is an indication that student financial aid increased sufficiently to cover virtually all additional student tuition and fee costs caused by the rate increases.

- Grants and contracts revenues totaled \$17.0 million, representing a decrease of \$1.1 million from the prior year. This decrease was seen primarily in nongovernmental grants covering specific projects that ended within 2003-04. Federal, state and local grants and contracts, the largest of which is the federal Pell grant student award, increased by 2%, from \$14.5 million in 2003 to \$14.8 million in 2004.
- Auxiliary enterprises revenue decreased from 2002-03 by approximately \$200,000 to \$698,244. Increased Bookstore revenue and vending commission was offset by the removal of the campus food service operation at the end of 2002-03. This elimination improved financial conditions overall, however, by lowering food service-related operating expenses that had previously exceeded revenues.
- Miscellaneous revenues also declined by approximately \$7,000.

The following as a graphic illustration of operating revenues by source:

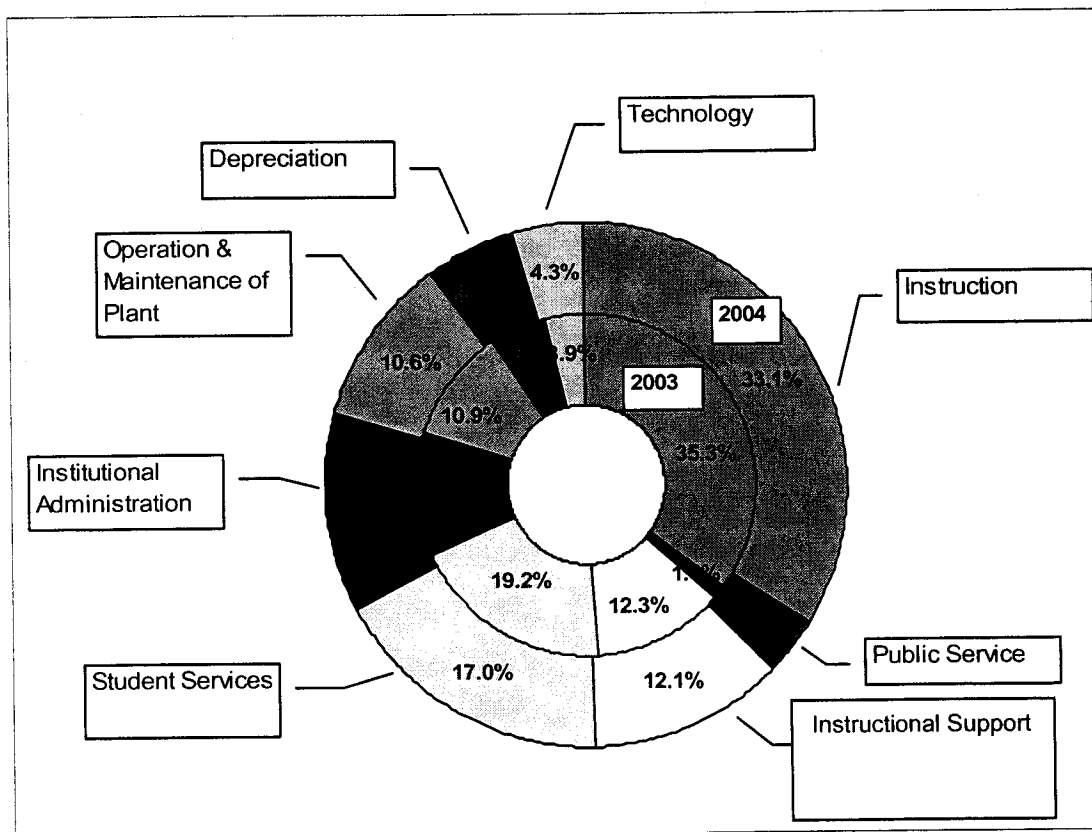


Mott Community College
Management's Discussion and Analysis
June 30, 2004

Operating Expenses

Operating expenses represent all the costs necessary to provide services and conduct the programs of the College. Operating expenses for the fiscal year ended June 30, 2004 total \$74.1 million, and consist of salaries and benefits, scholarships, utilities, contracted services, supplies and materials, and depreciation. These items are presented in a functional format in the Statement of Revenues, Expenses, and Changes in Net Assets, consistent with the State of Michigan's reporting format, currently the Activities Classification Structure (ACS) Manual.

The following chart shows the comparative allocation of operating expenses by function for years ended June 30, 2003 and 2004:



The college continues to spend the largest percentage of operating budget on instruction, with student services and instructional support making up the second and third largest proportion of operating expenses. These expenses include operating, plant and restricted fund activities. Depreciation was recorded for the first time during fiscal year 2002-03, as a new GASB reporting requirement for community colleges.

The decline in the proportion spent on Instruction is due primarily to lower noncredit instructional expenses because of lower training volume compared to 2003. The decrease in spending on Student Services represents the elimination of the college's food service operation as an auxiliary enterprise, along with lower restricted fund grant and scholarship activity categorized as student services expenses.

Mott Community College
Management's Discussion and Analysis
June 30, 2004

In the General Fund, operating expenses for 2003-04 were \$57.8 million, a decrease of -\$885 thousand or -1.5% compared to \$58.7 million in operating expenses for 2002-03. This represents savings from delays in filling vacant positions, lowering discretionary spending overall, and contributions from each employee group toward the college's long-term plan to reduce total compensation costs over a seven-year timeframe.

Non-operating Revenues (Expenses)

Nonoperating revenues represent all revenue sources that are primarily non-exchange in nature. They consist of state appropriations, property tax revenue, gifts and other support, and investment income (including realized and unrealized gains and losses).

Nonoperating expenses are also listed in the same category with nonoperating revenues. This item includes the interest paid for fiscal year 2003-04 on the College's outstanding bond debts.

Total non-operating revenues net of expenses increased by \$0.6 million, resulting primarily from the following changes:

- State appropriations decreased by \$1.7 million or 10.5% due to cuts issued by the state of Michigan, which continued to experience budget constraints due to lack of economic recovery at the level expected. The decline in state appropriations to community colleges in 2003-04 followed previous year cuts in 2002-03 totaling \$520,172 or 3.2%. The state appropriations revenue for 2004 is \$14,183,727.
- Property tax revenues are \$27.4 million, representing an increase of \$431 thousand or 1.6% from the prior year. Higher revenues from increased property values were offset by decreases in both the debt and operating portions of MCC's levied millage rate.
- Investment income, including realized and unrealized gains and losses, increased from \$1,526,258 to \$3,364,109 or 120% from 2002-03 to 2003-04, primarily in the Endowment Funds, due to improved market conditions.

Other Revenues

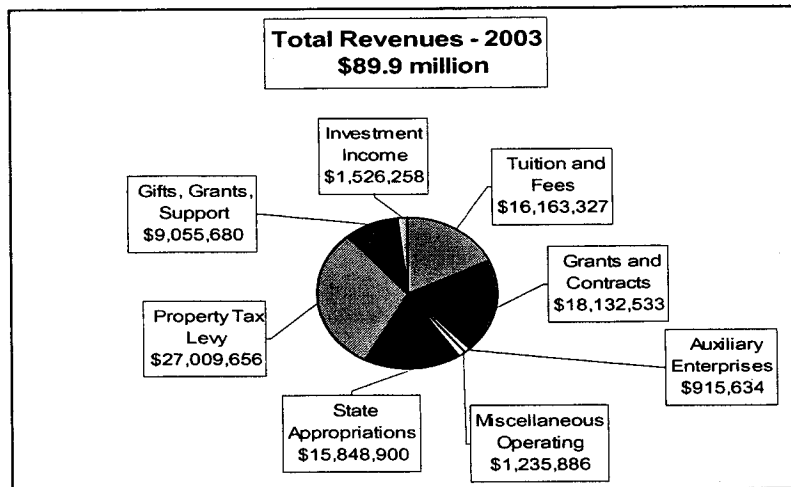
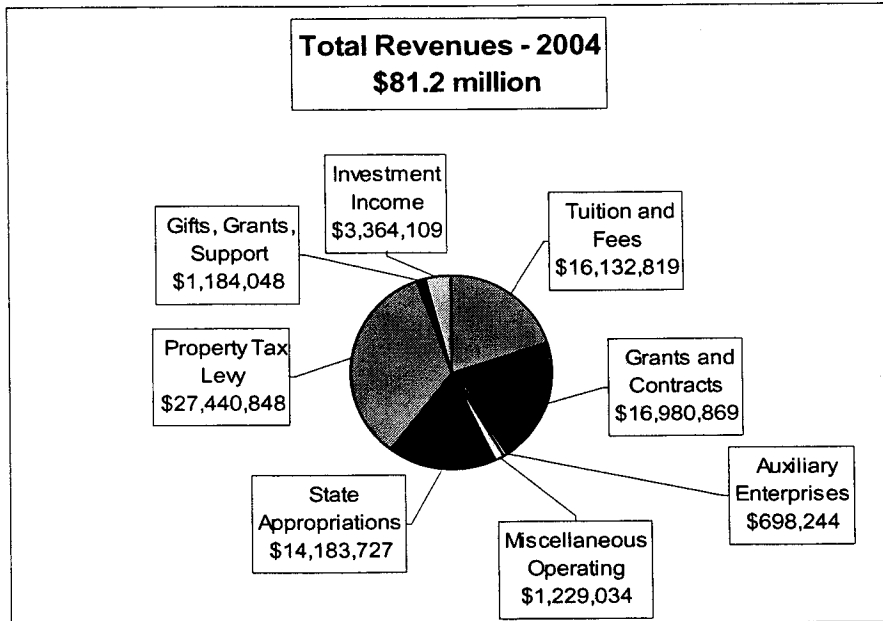
Other revenues consist of items that are typically nonrecurring, extraordinary, or unusual to the College. Other revenues recorded in the year ended June 30, 2004 included the following:

- State capital appropriation of \$612 thousand. This is the remainder of a \$34 million project to construct the College's Regional Technology Center (RTC), which was funded 50% by bond proceeds obtained by the College, and 50% by the State of Michigan. Construction was completed during 2003-04.
- Capital gift of \$5,000 received from a local source as a down payment for start-up expenses under an Educational Interconnectivity Consortium in which Mott Community College is partnering with other local educational institutions to improve efficiency within computer network infrastructure and operating costs.

**Mott Community College
Management's Discussion and Analysis
June 30, 2004**

All Revenues – Combined Picture

The following is a graphic illustration of the College's total revenues in all classifications--operating revenues, nonoperating revenues and other revenues--for the years ended June 30, 2004 and June 30, 2003:



For fiscal year 2004, property taxes, including operating and debt levies, accounted for 34% of total revenues, up from 30% in 2003, and are the largest single source of revenue for the College. Next are tuition and fees, shown for 2004 at \$16.1 million but equaling \$22.5 million and 28% of total revenues when combined with the portion of student financial aid (included in the grants and contracts category) that is used to pay tuition and fees.

Mott Community College
Management's Discussion and Analysis
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State appropriations are now a distant third in rank of the revenue sources, comprising 17% of the total for fiscal year 2004. Grants and contracts are fourth at 13% or \$10.6 million, when the portion covering tuition and fees is subtracted from the \$17.0 million shown in the chart.

Statement of Cash Flows

In addition to the Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets, another way to assess the financial health of the College is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the College during the fiscal year. The Statement of Cash Flows also helps to assess:

- The ability to generate future net cash flows
- The ability to meet obligations as they come due
- The need for external financing

The following is a condensed Statement of Cash Flows, summarizing cash receipts and cash payments by type of activity:

Mott Community College CONDENSED STATEMENT OF CASH FLOWS - DIRECT METHOD For the Year Ended June 30, 2004 (in millions)		
Cash and Cash Equivalents provided (used) by:		2003 for comparison
Operating activities	\$ (34.4)	\$ (32.3)
Noncapital financing activities	34.8	35.8
Capital and related financing activities	10.8	(2.4)
Investing activities	(13.1)	(0.2)
	<hr/>	<hr/>
Net Increase (Decrease) in Cash	(1.9)	0.9
Cash and Cash Equivalents, Beginning of Year	4.8	3.9
	<hr/>	<hr/>
Cash and Cash Equivalents, End of Year	<u>\$ 2.9</u>	<u>\$ 4.8</u>

The -\$34.4 net cash used for operating activities included -\$70.2 million in payments to employees and suppliers, and +\$35.8 million in cash received for tuition and fees, grants and contracts, and auxiliary enterprise activities. This negative operating cash flow was covered by state appropriations, property taxes, gifts and other support, all of which are included in the +\$34.8 million in cash from noncapital financing activities.

Mott Community College
Management's Discussion and Analysis
June 30, 2004

The net increase of +\$10.8 million for capital and related financing activities is mostly due to bond proceeds, receipts from the debt millage property tax levy and capital outlay dollars from the state, offset by purchases of capital assets and cash used to make principal and interest on outstanding bond debt.

Investing activities include interest received, as well as purchases, sales and maturities of investments.

The overall result of cash flows is a decrease in cash of \$1,948,510, the major portion of which is due to the purchase of investments at June 30, 2004 with cash received from Series 2004 Bond proceeds.

Economic Factors and Outlook

Capital Assets

The College had \$91.0 million invested in capital assets at June 30, 2004, net of accumulated depreciation of \$57.7 million. The following table shows the breakdown of Property and Equipment balances by category at June 30, 2004:

(in millions)	Less:		
	Cost	Accumulated Depreciation	Net
Land	\$ 0.84	\$ -	\$ 0.84
Artwork	\$ 0.01	\$ -	\$ 0.01
Buildings and Improvements	\$ 127.53	\$ 43.60	\$ 83.93
Equipment and Library Books	\$ 20.29	\$ 14.10	\$ 6.19
	\$ 148.68	\$ 57.70	\$ 90.98

Major capital additions completed this year and the source of the resources that funded their acquisition included (in millions):

- Development of land on main campus adjacent to the Regional Technology Center and adjoining street \$0.4 million
- Completion of the Regional Technology Center building, from designated reserves and state capital outlay funds: \$0.6 million
- Improvements to various other buildings and parking structures on the main campus, from Series 2002 bond proceeds and designated reserves: \$1.0 million
- Computer and audio-visual equipment, from Series 2002 bond proceeds: \$0.6 million
- Various equipment/furnishings, from Series 2002 bonds: \$0.2 million

Mott Community College
Management's Discussion and Analysis
June 30, 2004

The College has planned capital expenditures for the fiscal year ending June 30, 2005 at approximately \$17.5 million. Projects planned include and Energy Performance Contract, renovation of the Gorman Building and consolidation and relocation of math and science programs within it; and deferred maintenance projects such as removal of asbestos from the Library and other main campus buildings, and improvements in the Ballenger Field House. These projects will be funded with Series 2004 Bond proceeds and existing capital funds on hand.

Additional capital projects planned include life cycle replacement of computers and technology, purchase of instructional equipment, and various other building and infrastructure improvements, all of which are expected to be funded with designated funds and capital funds existing and planned to be transferred from operating funds.

More information about the College's capital assets is presented in the Notes to the Financial Statements.

Debt

On June 14, 2004, the College held a special election for the purpose of submitting a proposition to the electors that Mott Community College be allowed to borrow \$45,000,000 in the issuance of bonds for capital expenditures. The election was successful and this bond authority was granted. The college issued \$15,000,000 in bonds on June 30, 2004, and plans to issue three additional series of bonds of \$10 million each issuance over the next several years.

At June 30, 2004, the College had approximately \$68.1 million in debt outstanding, versus \$60.4 million the previous year. General obligation bonds payable represent the majority of this debt at \$68,065,000 in 2004, increased from \$60.3 million in 2003. The remaining portion of the 2004 balance represents the obligation of \$45,357 for the installment purchase of an athletics department passenger bus.

Two series of bonds were issued during fiscal year 2003-04:

Series 2003 General Obligation Refunding Bonds were issued on September 24, 2003 in the amount of \$10,020,000. The bonds were used, along with \$3,717,563 of funds on hand, to advance refund at a lower average interest rate of 2.86% a portion of four outstanding bond series totaling \$13,190,000 in principal.

Series 2004 General Obligation Building & Improvement Bonds were issued on June 30, 2004 in the amount of \$15,000,000. The interest cost on the bonds is 4.24%. The bond proceeds will be used to finance various planned capital projects during fiscal years 2005 and 2006.

Payments on existing bond debts totaled \$6.2 million for the year.

The College's bond credit ratings of 'A2' and 'A' from Moody's and Standard & Poor's, respectively, were reaffirmed by each agency in both series of bonds issued during 2003-04. Standard & Poor's did, however, upgrade their outlook to positive from stable. Their rationale included evidence of planned balanced financial operations in the near future in addition to the college's already proven track record of maintaining improved, stable reserve levels.

More detailed information about the College's long-term liabilities is presented in the Notes to the Financial Statements.

Mott Community College
Management's Discussion and Analysis
June 30, 2004

Economic Factors That Will Affect the Future

The economic position of the College is closely tied to that of the State. Historically when the state economy is in a downturn, community colleges' enrollment increases and there are demands on community colleges for increased and more diverse training and education opportunities to meet needs of employers and individuals needing upgraded skills. By the same token, when the state experiences lack of economic growth, decreased levels of appropriations to community colleges continue to result.

The current state budget projects a flat funding level of appropriations to Mott Community College from the 2003-04 amount, with a restoration of 3% previously cut in 2003-04. This lack of additional increase follows a -10.5 % decrease in funding to the College for the 2003-04 fiscal year, and a -3.2% cut in 2002-03. State appropriations to community colleges have not kept up with rates of inflation since 2000. Appropriations for the 2004-05 fiscal year are budgeted at \$14.6 million to reflect current legislation.

The Board of Trustees approved an increase of 2.3% for tuition and fee rates effective with the fall 2004 semester for the 2004-05 academic year. This increase reflects a lower than inflationary level and was consistent with the state's request for tuition restraint among higher education institutions. This modest increase will also qualify Mott Community College's students to seek the State Tuition Tax Credit for the 2004 calendar year. No mid-year tuition and fee increase is currently planned during 2004-05.

Mott Community College must continue to address challenges of rising operating costs, especially within employee compensation, as this area represents approximately 77% of the total operating budget. Future expectations of sharp increases in retirement contribution rates and health insurance rates are among specific areas of focus in order to control the operating expenditure base over the long-term.

The College has in place a 2001-2006 five-year strategic plan for which key initiatives are developed and updated annually, and linked directly to budget allocations. These strategic planning actions are driving long-term financial and capital budget plans, and such efforts will enable it to maintain quality delivery of education and training that continues to meet community needs.

Mott Community College
Balance Sheet
June 30, 2004
With Comparative Figures at June 30, 2003

	Primary Government		Component Unit Foundation for Mott Community College	
	2004	2003	2004	2003
Assets				
Current assets				
Cash and cash equivalents	\$ 2,941,244	\$ 4,889,754	\$ 90,011	\$ 2,366
Short term investments	29,482,324	15,360,332	-	-
Property taxes receivable	-	62,343	-	-
State appropriation receivable	2,520,186	3,346,951	-	-
Accounts receivable	4,860,479	5,928,699	106,609	326,743
Less allowance for uncollectible accounts	(2,398,124)	(2,417,096)	-	-
Federal and state grants receivable	1,405,583	1,174,381	-	-
Inventories	30,281	50,027	-	-
Prepaid expenses and other assets	511,536	678,781	10,209	7,491
 Total current assets	 39,353,509	 29,074,172	 206,829	 336,600
 Long-term investments	 33,663,321	 31,542,104	 2,606,094	 2,205,491
Bond discount	370,088	257,024	-	-
Property and equipment - net of accumulated depreciation (\$57,670,995 for 2004 and \$53,622,942 for 2003)	91,004,193	92,233,883	-	-
 Total assets	 \$ 164,391,111	 \$ 153,107,183	 \$ 2,812,923	 \$ 2,542,091

See notes to financial statements.

	Primary Government		Component Unit Foundation for Mott Community College	
	2004	2003	2004	2003
Liabilities and Net Assets				
Current liabilities:				
Current portion of debt obligations	\$ 5,119,320	\$ 2,765,148	\$ -	\$ -
Accounts payable	1,338,398	2,002,265	-	-
Accrued interest payable	551,543	783,479	-	-
Accrued payroll and related liabilities	3,353,648	3,045,816	-	-
Deposits held for others	541,637	453,689	-	-
Unearned revenue	2,139,428	2,466,052	-	-
Total current liabilities	13,043,974	11,516,449	-	-
Long-term debt obligations	62,991,037	57,613,786	-	-
Accrued termination pay	3,960,574	3,674,242	-	-
Total liabilities	79,995,585	72,804,477	-	-
Net assets:				
Invested in capital assets, net of related debt	22,893,836	31,854,950	-	-
Restricted for				
Nonexpendable	33,731,420	31,470,490	530,699	478,533
Expendable				
Student loans	66,408	66,165	-	-
Scholarships and awards	13,342	46,148	1,996,074	1,890,531
Capital projects	19,625,917	6,825,194	-	-
Debt service	3,553,056	5,965,944	-	-
Unrestricted	4,511,547	4,073,815	286,150	173,027
Total net assets	84,395,526	80,302,706	2,812,923	2,542,091
Total liabilities and net assets	\$ 164,391,111	\$ 153,107,183	\$ 2,812,923	\$ 2,542,091

Mott Community College
Statement of Revenue, Expenses and Changes in Net Assets
Year Ended June 30, 2004
With Comparative Figures at June 30, 2003

	Primary Government		Component Unit Foundation for Mott Community College	
	2004	2003	2004	2003
Revenues:				
Operating revenues				
Tuition and fees	\$ 22,486,000	\$ 21,301,534	\$ -	\$ -
Less scholarship allowances	(6,353,181)	(5,138,207)	-	-
Federal grants and contracts	12,511,337	12,179,007	-	-
State and local grants and contracts	2,318,133	2,363,292	-	-
Nongovernmental grants	2,151,399	3,590,234	-	-
Auxiliary enterprises	698,244	915,634	-	-
Gifts	-	-	446,788	560,818
Miscellaneous	1,229,034	1,235,886	-	-
Total operating revenues	<u>35,040,966</u>	<u>36,447,380</u>	<u>446,788</u>	<u>560,818</u>
Expenses:				
Operating expenses				
Instruction	25,046,454	26,705,052	-	-
Public service	2,760,833	1,057,783	-	-
Instructional support	9,117,997	9,341,113	145,793	257,498
Student services	12,844,782	14,506,552	239,261	191,574
Institutional administration	9,043,236	8,803,656	-	-
Operation and maintenance of plant	7,997,154	8,280,750	-	-
Depreciation	4,085,117	4,003,373	-	-
Technology	3,234,738	2,946,434	-	-
Foundation operations	-	-	135,842	128,620
Total operating expenses	<u>74,130,311</u>	<u>75,644,713</u>	<u>520,896</u>	<u>577,692</u>
Operating loss	<u>(39,089,345)</u>	<u>(39,197,333)</u>	<u>(74,108)</u>	<u>(16,874)</u>
Non-Operating Revenues (Expenses):				
State appropriations	14,183,727	15,848,900	-	-
Property tax levy	27,440,848	27,009,656	-	-
Gifts	567,315	731,826	-	-
Investment income	240,371	320,880	76,059	81,669
Net realized and unrealized gain/(loss) on investment	3,123,738	1,205,378	268,881	(83,328)
Interest on capital asset - related debt	(2,826,689)	(3,077,307)	-	-
Loss on disposal of assets	(10,080)	-	-	-
Bond issuance costs	(153,797)	-	-	-
Net non-operating revenues	<u>42,565,433</u>	<u>42,039,333</u>	<u>344,940</u>	<u>(1,659)</u>
Income/(loss) before other revenues and expenses	<u>3,476,088</u>	<u>2,842,000</u>	<u>270,832</u>	<u>(18,533)</u>
Other Revenues:				
State capital appropriations	611,733	8,315,175	-	-
Capital gifts and grants	5,000	8,679	-	-
Total other revenues	<u>616,733</u>	<u>8,323,854</u>	<u>-</u>	<u>-</u>
Increase/(decrease) in net assets	<u>4,092,821</u>	<u>11,165,854</u>	<u>270,832</u>	<u>(18,533)</u>
Net Assets:				
Net assets - beginning of year, as restated - Note 11	80,302,705	69,136,851	2,542,091	2,560,624
Net assets - end of year	<u>\$ 84,395,526</u>	<u>\$ 80,302,705</u>	<u>\$ 2,812,923</u>	<u>\$ 2,542,091</u>

See notes to financial statements.

**Mott Community College
Statement of Cash Flows
Year Ended June 30, 2004**

	Primary Government 2004	Component Unit 2004
Cash Flows from Operating Activities		
Tuition and fees	\$ 16,607,066	\$ -
Grants and contracts	16,796,018	-
Payments to suppliers	(23,992,032)	(105,842)
Payments to employees	(46,170,441)	-
Auxiliary enterprise	698,244	-
Gifts received	-	446,788
Allocations to primary government	-	(385,054)
Allocations from component unit	385,054	-
Other	1,318,518	531,412
	<hr/>	<hr/>
Net cash provided by (used for) operating activities	(34,357,573)	487,304
Cash Flows from Noncapital Financing Activities		
State appropriations	14,415,171	-
Local property taxes	20,004,586	-
Private gifts for endowment purposes	-	-
Gifts and contributions for other than capital purposes	567,315	-
Student loan receipts	4,923,518	-
Student loan disbursements	(4,923,518)	-
Agency transactions	(195,154)	-
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	34,791,918	-
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(2,628,241)	-
Principal paid on capital debt	(7,255,000)	-
Proceeds from issuance of debt	15,000,000	-
Capital grant and gift proceeds	616,733	-
Capital property tax levy	7,498,824	-
Interest paid on capital debt	(2,524,522)	-
	<hr/>	<hr/>
Net cash provided by capital and related financing activities	10,707,794	-
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	15,549,817	268,881
Interest on investments	212,959	76,059
Purchase of investments	(28,853,425)	(744,599)
	<hr/>	<hr/>
Net cash used for investing activities	(13,090,649)	(399,659)
Net increase (decrease) in cash	(1,948,510)	87,645
Cash - beginning of year	4,889,754	2,366
Cash - end of year	<u><u>\$ 2,941,244</u></u>	<u><u>\$ 90,011</u></u>

See notes to financial statements.

**Mott Community College
Statement of Cash Flows
Year Ended June 30, 2004**

	Primary Government 2004	Component Unit 2004
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used for) Operating Activities:		
Operating loss	\$(39,089,345)	\$ (74,108)
Adjustments to reconcile operating loss to net cash provided by (used for)		
Depreciation	4,085,117	-
(Increase) decrease in net assets:		
Federal and state grants receivable	(231,202)	-
Accounts receivable (net)	1,087,193	1,035
Inventories	19,746	-
Prepaid assets and other current assets	167,245	(2,718)
Assets held by Primary Government	-	563,095
Increase in liabilities:		
Accounts payable	(663,867)	-
Accrued payroll and other compensation	594,164	-
Unearned revenue	(326,624)	-
Net cash provided by (used for) operating activities	<u>\$(34,357,573)</u>	<u>\$ 487,304</u>

Non cash transactions

Bonds were issued in the amount of \$10,020,000 as part of a bond refunding. The proceeds were directly deposited with an escrow agent.

See notes to financial statements.

Notes to Financial Statements

Mott Community College
Notes To Financial Statements
June 30, 2004

1. Basis of presentation and significant accounting policies

Reporting Entity - Mott Community College (the "College") is a Michigan community college, with its main campus located in Flint, Michigan and satellite campuses in Genesee, Lapeer, and Livingston Counties. The College is governed by a Board of Trustees, whose seven members are elected for six-year overlapping terms.

The accompanying financial statements have been prepared in accordance with the criteria established by the Governmental Accounting Standards Board (GASB) for determining the various organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on the application of the criteria, the Foundation for Mott Community College is included in the College's reporting entity as a discretely presented component unit. Separate financial statements of the Foundation can be obtained by contacting the Foundation for Mott Community College, 1401 East Court Street, Flint, Michigan 48503.

Basis of presentation - The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as applicable to public colleges and universities as described in GASB Statement No. 35 and the *Manual for Uniform Financial Reporting- Michigan Public Community Colleges, 2001*. The College follows the "business-type" activities model of the GASB Statement No. 35. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods and services. Reporting for business-type activities is based on all applicable GASB pronouncements, as well as certain applicable Financial Accounting Standards Board pronouncements, unless the latter conflicts with GASB pronouncements.

Significant accounting policies followed by the College are described below:

Accrual basis - The financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Cash and cash equivalents:

Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less.

Gifts and pledges:

Gifts are recorded at estimated fair values when received, and pledges are recorded at their net present value when it is determined that collection of the gift is probable.

Investments:

Investments are recorded at fair value, based on quoted market prices.

Allowance for Doubtful Accounts:

An allowance is established, when material, for doubtful accounts.

Inventories:

Inventories, including supplies, are stated at the lower of cost (first-in, first-out) or market.

Mott Community College
Notes To Financial Statements
June 30, 2004

1. Basis of presentation and significant accounting policies – (continued)

Property and Equipment:

Property and equipment are recorded at cost or, if donated, the fair value at the time of donation. Property and equipment are depreciated over their estimated useful lives ranging from 5-50 years. Depreciation is computed using the straight line method. No depreciation is recorded on land or art. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. The College has a policy of capitalizing only property and equipment purchases of \$5,000 and over. Expenditures for maintenance and repairs are charged to current expenditures as incurred.

Revenue recognition:

Revenues are recognized in the period earned. Revenue recorded prior to year end that related to the next fiscal period is recorded as unearned revenue.

State appropriations for operations are recognized ratably over the state appropriation period. The appropriation period is from October 1 – June 30.

Property taxes, net of estimated refunds and uncollectible amounts, are recognized on the accrual basis in the year for which the levy was intended.

Tuition revenue is recognized as revenue in the semester during which the tuition is earned.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and investments

The College's deposits and investments at June 30, 2004 are included on the balance sheet under the following classifications:

	<u>College</u>	<u>Component Unit</u>
Cash and cash equivalents	\$ 2,941,244	\$ 90,011
Short term investments	29,482,324	-
Long term investments	33,663,321	2,606,094
Totals	<u>\$ 66,086,889</u>	<u>\$ 2,696,105</u>

Deposits - The College's deposits consist of checking and savings accounts and cash on hand. At year-end, the carrying value of the College's deposits (excluding petty cash of \$9,410) was \$2,931,834, and the bank balance was \$3,501,823, of which \$187,630 is covered by federal depository insurance. Cash management (sweep) accounts (for which the underlying collateral is investments) totaling \$3,303,387 have also been classified as cash and cash equivalents for balance sheet purposes and are included in the deposit amounts described above.

Mott Community College
Notes To Financial Statements
June 30, 2004

2. Deposits and investments – (continued)

Investments - Statutes authorize the College to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, and other interest bearing deposits with a financial institution, bankers acceptances, commercial paper supported by an irrevocable letter of credit issued by a bank that is a member of the Federal Deposit Insurance Corporation, commercial paper of corporations located in this state and rated prime by at least one of the standard rating services, mutual funds and repurchase agreements.

The College's investments are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the College or its agent in the College's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department, or its agent, in the College's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or by its agent but not in the College's name.

	Category			Carrying	Market
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Repurchase Agreement (Sweep accounts)*	\$ -	\$ -	\$ 3,303,387	\$ 3,303,387	\$ 3,303,387
U.S. Gov't Securities	-	-	-	-	-
Common Stock	-	-	-	-	-
Commercial Paper	3,325,000	349,101	-	3,674,101	3,674,101
Other	1,796,068	-	-	1,796,068	1,796,068
Total categorized investments	<u>\$ 5,121,068</u>	<u>\$ 349,101</u>	<u>\$ 3,303,387</u>	8,773,556	8,773,556
Mutual Funds				<u>60,281,567</u>	<u>60,281,567</u>
Total Investments				<u>\$ 69,055,123</u>	<u>\$ 69,055,123</u>

* Repurchase agreements are reported in the financial statements as cash and cash equivalents.

The College's investments in mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

The Endowment Fund owns 11% of investments that are in category 1 and 100% of those in category 2. Also, the Endowment Fund owns 55% of the uncategorized mutual funds.

At June 30, 2004, the Foundation for MCC had common stocks and U.S. government and agency bonds with a carrying and fair value of \$1,609,417 and \$996,677, respectively.

The College conducts business only with qualified and primary investment firms that adhere to specific guidelines established by industry practice.

The College has approved the following depositories: Citizens Bank, Bank One, National City, Raymond James and Smith Barney Citigroup.

Mott Community College
Notes To Financial Statements
June 30, 2004

3. Property and equipment

The following table presents the changes in various fixed asset class categories for the year ended June 30, 2004 as follows:

	Beginning Balance	Aquisitions	Transfer/ Deletions	Ending Balance	Estimated Useful Life (in years)
Nondepreciable capital assets:					
Land	\$ 446,395	\$ 397,778	\$ -	\$ 844,173	
Artwork	6,200	-	-	6,200	
Construction in progress	308,880	-	(308,880)	-	
Total nondepreciable capital assets	761,475	397,778	(308,880)	850,373	
Depreciable capital assets:					
Buildings and improvements	125,750,349	1,475,188	308,880	127,534,417	15 - 50
Infrastructure	6,807,752	87,201	-	6,894,953	10 - 50
Computer equipment	1,663,456	217,095	385,571	2,266,122	5 - 10
Audio-visual equipment	622,554	14,000	6,399	642,953	5 - 10
Other equipment	7,715,825	404,212	(262,887)	7,857,150	5 - 20
Vehicles	790,932	-	61,039	851,971	8
Library books	1,744,482	32,767	-	1,777,249	5
Total depreciable capital assets	145,095,350	2,230,463	499,002	147,824,815	
Total capital assets	145,856,825	2,628,241	190,122	148,675,188	
Less: accumulated depreciation:					
Buildings and improvements	40,901,960	2,720,823	-	43,622,783	
Infrastructure	5,930,781	448,671	-	6,379,452	
Computer equipment	980,011	327,651	13,732	1,321,394	
Audio-visual equipment	248,841	68,320	-	317,161	
Other equipment	3,380,953	413,723	(35,571)	3,759,105	
Vehicles	512,786	75,315	(15,226)	572,875	
Library books	1,667,610	30,615	-	1,698,225	
Total accumulated depreciation	53,622,942	4,085,118	(37,065)	57,670,995	
Total net capital assets	\$ 92,233,883	\$ (1,456,877)	\$ 227,187	\$ 91,004,193	

Mott Community College
Notes To Financial Statements
June 30, 2004

4. General obligation bonds and notes payable

The College has nine series of general obligation bonds and notes outstanding at June 30, 2004, with a face value totaling \$68,065,000, as well as an installment purchase loan payable with a principal balance of \$45,357 outstanding as of June 30, 2004.

The following is a summary of the general obligation bonds and notes payable, as well as the installment purchase loan payable, of the College at June 30, 2004:

	Final Payment Due	Annual Interest Rate	Annual Principal Payment	Outstanding Balance June 30, 2004
Building and Improvement Bonds:				
Series 1994	July 1, 2004	5.25	390,000	\$ 390,000
Series 1995	July 1, 2004	5.70	250,000	250,000
Series 1996	July 1, 2012	5.00 - 7.00	150,000 - 750,000	5,150,000
Series 1998	July 1, 2019	4.15 - 6.25	135,000 - 1,445,000	6,730,000
Series 1999	July 1, 2021	4.25 - 5.00	45,000 - 21,000	2,860,000
Series 2000	May 1, 2021	5.40 - 5.50	625,000 - 1,775,000	23,875,000
Series 2002	May 1, 2011	2.50 - 3.80	425,000 - 475,000	3,160,000
Series 2003	July 1, 2010	2.00 - 5.00	535,000 - 2,000,000	10,020,000
Series 2004	May 1, 2019	2.50 - 5.00	650,000 - 1,475,000	15,000,000
Energy Conservation Notes:				
Series 1996-B	June 1, 2006	4.80 - 5.00	305,000 - 325,000	630,000
Total bonds and notes payable				<u>68,065,000</u>
Installment Purchase Loan:				
2002 Bus	January 27, 2007	5.48	13,576 - 15,932	45,357
Total long term debt				<u>\$ 68,110,357</u>

Debt service requirements on general obligation bonds, notes, and installment loans is as follows:

	Total	Principal	Interest
Year ended June 30, 2005	\$ 8,079,494	\$ 5,119,320	\$ 2,960,174
June 30, 2006	7,711,021	4,885,105	2,825,916
June 30, 2007	7,237,899	4,615,932	2,621,967
June 30, 2008	7,022,576	4,565,000	2,457,576
June 30, 2009	7,127,688	4,845,000	2,282,688
Remaining years	56,596,709	44,080,000	12,516,709
	<u>\$93,775,387</u>	<u>\$68,110,357</u>	<u>\$25,665,030</u>

Mott Community College
Notes To Financial Statements
June 30, 2004

5. Land contract receivable

In April 1998, the College sold land and a building to the Flint Cultural Center on a ten-year land contract for \$150,000. Interest is imputed at 5% per annum, and the contract expires on July 1, 2007. The College received a \$15,000 down payment and will receive yearly installments of \$15,000 until the contract is paid in full. At June 30, 2004, the remaining unpaid balance of the land contract was \$30,000.

6. Employee benefits

Retirement Plan

Plan Description. All full-time employees participate in the Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer retirement system. MPERS is a discretely presented component unit of the State of Michigan and issues a comprehensive annual financial report each year.

MPERS members participate on a contributory basis. Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature. MPERS annually issued a stand-alone Comprehensive Annual Financial Report for the year ended September 30, 2003. This report can be obtained by calling (517) 322-5103, or writing to the Office of Retirement Systems, Michigan Public School Employees' Retirement System, 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

During the year ended June 30, 1998, the College adopted Governmental Accounting Standards Board (GASB) Statements No. 26 *Financial Reporting for Post-employment Healthcare Plans Administered by Defined Benefit Plans*, and No. 27 *Accounting for Pensions by State and Local Governmental Employees*.

Regular retirement benefits are payable monthly for the lifetime of a retiree and equal 1½ % of a member's final average compensation. A member may retire with an early permanently reduced pension after: (1) completing at least 15 years but less than 30 years of credited service, (2) attaining age 55, and (3) completing credited service in each of the 5 school years immediately preceding the pension effective date.

The early pension is computed in the same manner as a regular pension but permanently reduced by one-half of one percent for each month between the pension effective date and the date the member will attain age 60. MPERS also provides comprehensive group medical, hearing, dental and vision insurance coverage for retirees and beneficiaries.

A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service; at age 60 with 10 years or more of credited service; or at age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the 5 school fiscal years immediately preceding the pension effective date. A Basic Plan member may retire at age 55 with 30 or more years of credited service, or at age 60 with 10 or more years of credited service. There is no mandatory retirement age.

Mott Community College
Notes To Financial Statements
June 30, 2004

6. Employee benefits – (continued)

Funding Policy. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. After December 31, 1989, membership in MIP is mandatory and members contribute at the following graduated permanently fixed contribution rate: 3% for the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions.

The College forwarded \$680,403 of MIP contributions withheld from employees during the year ended June 30, 2004.

Each MPSERS employer is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care premium amounts on a cash disbursement basis. For the year ended June 30, 2004, the College was required to pay 12.99% of eligible employees' compensation from July 1, 2003 through June 30, 2004. The contributions made by the College amounted to \$ 3,388,480, \$3,321,896, and \$2,929,487, for the years ended June 30, 2004, 2003 and 2002, respectively. All contributions made were equal to required contributions by the MPSERS.

The College's annual contribution represents less than 1% of the total contributions received by the MPSERS. Historical trend information showing funding progress, employer contributions and actuarial assumptions for the entire MPSERS plan is presented in the MPSERS September 30, 2003 comprehensive annual financial report.

Post-employment benefits. Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage, which are funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premiums is paid by MPSERS, with the balance deducted from the monthly pension. Public Act 180 also authorized payments to employers as a one time \$174.5 million reduction in MPSERS reserves for health benefits, which in years prior to 1991 was pre-funded.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

- (1) Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
- (2) Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially paid health benefit coverage.

Dependents are eligible for 90% employer paid health coverage.

During the year ended September 30, 2003, there were 139,994 eligible participants in the MPSERS that are eligible to receive benefits, of which, 115,908 are currently receiving benefits. Benefit expenditures for the post-employment benefits for the MPSERS as a whole were \$606,655,077 for the year ended September 30, 2003.

Mott Community College
Notes To Financial Statements
June 30, 2004

6. Employee benefits – (continued)

Defined Contribution Plan

On July 13, 1994, the Governor signed Public Act No. 296 of 1994. This legislation amended Section 2 of Act No. 156 of the Public Acts of 1967 to include community colleges in the definition of higher education. This Act allows community colleges, beginning October 1, 1994, to offer to members of faculty and administrative staff on a full-time basis a defined contribution plan as an alternative to MPSERS. On December 19, 1994, the College agreed to establish such a plan. On January 23, 1995, the College approved a plan to be implemented effective February 1, 1995, of which Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) was the chosen provider. Eligibility is defined as full-time faculty, supervisors and managers, and exempt managers. In addition, on July 28, 1997, the College approved this plan to be made available to Pro-Tech employees and Exempt Non-Management employees. Contribution requirements match those under MPSERS plus an additional 3.54%, and call for full immediate vesting. For the year ended June 30, 2004, the College was required to pay 16.53% of eligible employees' compensation from July 1, 2003 through June 30, 2004. Due to a rate reduction approved by the College's Board of Trustees in December 2002, for employees hired on or after January 1, 2003, the College is required to contribute 10% of participating employee's salaries. Eligible employees are able to select an investment portfolio from several available fund choices. Withdrawals may be made beginning at age 55. No health insurance is available under the plan. The College's covered payroll and total payroll for the year ended June 30, 2004 amounted to \$5,808,415 and \$34,751,811, respectively. Contributions made by the College during the year ended June 30, 2004 were \$947,329.

7. Contingencies and commitments

The College participates in various grant programs, both federal and state sponsored. Compliance audits in accordance with OMB Circular A-133 have been conducted and reported under a separate cover. The A-133 report has not yet been accepted by the grantor agencies. However, management expects any disallowed costs, if any, to be immaterial in relation to the financial statements taken as a whole.

8. Employee severance plan

During the year ended June 30, 1998, the College implemented an employee severance plan for early retirement of employees who meet certain criteria. The plan offered three exit date options, of which the first two fell within the fiscal year ended June 30, 1998; and the final date falling within the fiscal year ending June 30, 1999. Benefits shall be paid in 96 equal monthly payments except if the employee is over age 59 at the time payments begin, then the number of monthly installments shall be reduced so that all payments will be completed by the employee's 67th birthday.

Mott Community College
Notes To Financial Statements
June 30, 2004

8. Employee severance plan – (continued)

The following represents a listing of the estimated future payments to be made by the College related to this liability:

Year ended <u>June 30,</u>	
2005	\$137,102
2006	121,402
2007	<u>37,292</u>
	295,796
Less amount representing interest	<u>(4,368)</u>
Present value of liability at June 30, 2004	<u>\$291,428</u>

9. Leases

Main Campus:

The College annually leases space on the main campus to various entities. The lease terms are for a one-year period from July 1, 2003 to June 30, 2004. Under the 2003-2004 lease, the monthly rental payments were \$7,203, for an annual total of \$86,433.

Lapeer Branch Campus:

The College annually leases space within the Lapeer Campus, to various entities. The lease terms are for a one-year period from July 1, 2003 to June 30, 2004. Under the 2003-2004 lease, the monthly rental payment was \$7,871 for an annual total of \$94,449.

Livingston M-Tec:

The College annually leases space within the Livingston M-Tec Building, to various entities. The lease terms are for a one-year period from July 1, 2003 to June 30, 2004. Under the 2003-2004 lease, the monthly rental payment was \$1,356 for an annual total of \$16,274.

Southern Lakes Branch Campus:

The College annually leases space within the Southern Lakes Branch Campus to various entities. The lease terms are for a one-year period from July 1, 2003 to June 30, 2004. Under the 2003-2004 lease, the monthly rental payment was \$18,029 for an annual total of \$216,348.

Mott Community College
Notes To Financial Statements
June 30, 2004

10. Bond defeasance

On September 24, 2003 the College issued \$10,020,000 in Series 2003 General Obligation Refunding Bonds with an average interest rate of 2.86%. These bonds were issued to advance refund a portion of the 1992-A Series, 1992-B Series, 1993 Series, 1994 Series and 1995 Series bonds in the amounts of \$400,000, \$1,800,000, \$3,365,000, \$3,450,000, and \$4,175,000, respectively. In addition, the College paid \$3,717,563 toward the advance refunding of the above mentioned bond series issues. The net proceeds along with the College's contribution totaled \$13,830,354 (after payment of \$155,644 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities and the College's contribution were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of these respective bonds. As a result, the refunded portion of the bonds are considered defeased with the liability for these bonds removed from the capital position fund. The total principal and interest payments of the new debt and old debt are \$11,523,690, and \$16,230,550, respectively. The balance at June 30, 2004, of the defeased bonds was \$7,941,794.

11. Restatement of capital assets

To properly reflect the balance of net capital assets for June 30, 2003, the total was restated from \$93,187,262 to \$92,233,883, resulting in a \$953,379 reduction in net assets.

Additional Information

**Mott Community College
Combining Balance Sheet
June 30, 2004**

	Combined Total	General Fund	Designated Fund
Assets			
Current assets			
Cash and cash equivalents	\$ 2,941,244	\$ 2,941,244	\$ -
Short term investments	29,482,324	4,546,954	-
State appropriation receivable	2,520,186	2,505,220	-
Accounts receivable	4,860,479	4,442,376	9,665
Less allowance for uncollectible accounts	(2,398,124)	(2,398,124)	-
Federal and state grants receivable	1,405,583	-	-
Inventories	30,281	30,281	-
Prepaid expenses and other assets	511,536	511,536	-
Total current assets	39,353,509	12,579,487	9,665
Long-term investments	33,663,321	-	-
Bond discount	370,088	-	-
Property and equipment -			
net of \$57,670,995 accumulated depreciation	91,004,193	-	-
Total assets	<u>\$ 164,391,111</u>	<u>\$ 12,579,487</u>	<u>\$ 9,665</u>

Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	264,355	-	11,953	337,148	24,321,914
-	-	-	-	-	14,966
13,517	251,608	-	4,404	138,909	-
-	-	-	-	-	-
-	-	1,405,583	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
13,517	515,963	1,405,583	16,357	476,057	24,336,880
-	-	-	-	33,663,321	-
-	-	-	-	-	370,088
-	-	-	-	-	91,004,193
\$ 13,517	\$ 515,963	\$ 1,405,583	\$ 16,357	\$ 34,139,378	\$ 115,711,161

(continued)

Mott Community College
Combining Balance Sheet (continued)
June 30, 2004

	Combined Total	General Fund	Designated Fund
Liabilities and Net Assets			
Current liabilities:			
Current portion of debt obligations	\$ 5,119,320	\$ -	\$ -
Accounts payable	1,338,398	1,270,037	-
Due to (from) other funds	-	(2,182,674)	(422,288)
Accrued interest payable	551,543	-	-
Accrued payroll and related liabilities	3,353,648	3,353,648	-
Deposits held for others	541,637	5,230	-
Unearned revenue	2,139,428	1,988,332	104,746
Total current liabilities	13,043,974	4,434,573	(317,542)
Long-term debt obligations	62,991,037	-	-
Accrued termination pay	3,960,574	3,960,574	-
Total liabilities	79,995,585	8,395,147	(317,542)
Net assets:			
Invested in capital assets, net of related debt	22,893,836	-	-
Restricted for			
Nonexpendable	33,731,420	-	-
Expendable			
Student loans	66,408	-	-
Scholarships and awards	13,342	-	-
Capital projects	19,625,917	-	-
Debt service	3,553,056	-	-
Unrestricted	4,511,547	4,184,340	327,207
Total net assets	84,395,526	4,184,340	327,207
Total liabilities and net assets	\$ 164,391,111	\$ 12,579,487	\$ 9,665

Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,119,320
-	-	28,218	-	-	40,143
13,517	(20,444)	1,317,673	(50,051)	407,958	936,309
-	-	-	-	-	551,543
-	-	-	-	-	-
-	536,407	-	-	-	-
-	-	46,350	-	-	-
13,517	515,963	1,392,241	(50,051)	407,958	6,647,315
-	-	-	-	-	62,991,037
-	-	-	-	-	-
13,517	515,963	1,392,241	(50,051)	407,958	69,638,352
-	-	-	-	-	22,893,836
-	-	-	-	33,731,420	-
-	-	-	66,408	-	-
-	-	13,342	-	-	-
-	-	-	-	-	19,625,917
-	-	-	-	-	3,553,056
-	-	-	-	-	-
-	-	13,342	66,408	33,731,420	46,072,809
\$ 13,517	\$ 515,963	\$ 1,405,583	\$ 16,357	\$ 34,139,378	\$ 115,711,161

Mott Community College
Combining Statement of Revenue, Expenses,
Transfers and Changes in Net Assets
June 30, 2004

	Combined Total	Eliminations	General Fund
Revenues:			
Operating revenues			
Tuition and fees	\$ 22,486,000	\$ -	\$ 21,502,746
Less scholarship allowances	(6,353,181)	(6,353,181)	-
Federal grants and contracts	12,511,337	-	-
State and local grants and contracts	2,318,133	-	-
Nongovernmental grants	2,151,399	-	14,079
Auxiliary enterprises	698,244	-	-
Expenditures for equipment and capital improvements	-	(2,865,507)	-
Miscellaneous	1,229,034	-	819,785
Total operating revenues	35,040,966	(9,218,688)	22,336,610
Expenses:			
Operating expenses			
Instruction	25,046,454	(206,498)	24,265,032
Public service	2,760,833	-	176,599
Instructional support	9,117,997	(120,455)	7,133,369
Student services	12,844,782	(7,797,968)	7,048,873
Institutional administration	9,043,236	(3,216,116)	8,095,556
Operation and maintenance of plant	7,997,154	(46,766)	7,517,978
Depreciation	4,085,117	-	-
Technology	3,234,738	2,169,115	-
Total operating expenses	74,130,311	(9,218,688)	54,237,407
Operating income/(loss)	(39,089,345)	-	(31,900,797)
Non-Operating Revenues (Expenses):			
State appropriations	14,183,727	-	14,183,727
Property tax levy	27,440,848	-	19,942,024
Gifts	567,315	-	567,315
Investment income	240,371	-	133,116
Net realized and unrealized gain/(loss) on investments	3,123,738	-	-
Interest on capital asset - related debt	(2,826,689)	-	-
Loss on disposal of assets	(10,080)	-	-
Bond issuance costs	(153,797)	-	-
Net non-operating revenues	42,565,433	-	34,826,182
Income/(loss) before other revenues and expenses	3,476,088	-	2,925,385
Other Revenues:			
State capital appropriations	611,733	-	-
Capital gifts and grants	5,000	-	-
Total other revenues	616,733	-	-
Increase/(decrease) in net assets	4,092,821	-	2,925,385
Transfers in (out)	-		(2,475,158)
Net increase/(decrease) in net assets	4,092,821	-	450,227
Net Assets:			
Net assets - beginning of year, as restated - Note 11	80,302,705	-	3,734,113
Net assets - end of year	\$ 84,395,526	\$ - 0 -	\$ 4,184,340

Designated Fund	Auxiliary Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund
\$ 983,254	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	12,511,337	-	-	-
-	-	2,318,133	-	-	-
-	-	2,137,320	-	-	-
-	698,244	-	-	-	-
-	-	-	-	-	2,865,507
409,249	-	-	-	-	-
1,392,503	698,244	16,966,790	-	-	2,865,507
-	-	894,337	-	-	93,583
-	5,997	2,508,672	-	-	69,565
-	-	1,942,265	-	-	162,818
830,919	369,663	11,328,958	-	862,808	201,529
120	-	170,346	-	-	3,993,330
-	-	37,435	-	-	488,507
-	-	-	-	-	4,085,117
-	-	-	-	-	1,065,623
831,039	375,660	16,882,013	-	862,808	10,160,072
561,464	322,584	84,777	-	(862,808)	(7,294,565)
-	-	-	-	-	-
-	-	-	-	-	7,498,824
-	-	-	-	-	-
-	-	102	243	-	106,910
-	-	-	-	3,123,738	-
-	-	-	-	-	(2,826,689)
-	-	-	-	-	(10,080)
-	-	-	-	-	(153,797)
-	-	102	243	3,123,738	4,615,168
561,464	322,584	84,879	243	2,260,930	(2,679,397)
-	-	-	-	-	611,733
-	-	-	-	-	5,000
-	-	-	-	-	616,733
561,464	322,584	84,879	243	2,260,930	(2,062,664)
(573,959)	(322,584)	(117,685)	-	-	3,489,386
(12,495)	-	(32,806)	243	2,260,930	1,426,722
339,702	-	46,148	66,165	31,470,490	44,646,087
\$ 327,207	\$ - 0 -	\$ 13,342	\$ 66,408	\$ 33,731,420	\$ 46,072,809

Mott Community College
Schedule 1 - Details of General Fund Expenses
Year Ended June 30, 2004

	Salaries	Fringe Benefits	Services	Materials and Supplies
Instruction	\$ 17,749,035	\$ 5,185,913	\$ 520,370	\$ 457,382
Public service	102,406	22,412	27,444	6,161
Instructional support	3,873,959	1,998,877	321,832	170,948
Student services	3,421,856	1,183,962	264,374	146,482
Institutional administration	2,790,485	2,046,730	862,929	126,525
Physical plant operations	3,098,020	1,332,226	684,876	563,554
	<u>\$ 31,035,761</u>	<u>\$ 11,770,120</u>	<u>\$ 2,681,825</u>	<u>\$ 1,471,052</u>

Computer Related Expenditures	Facilities Rent	Utilities and Insurance	Other Expenses	Capital Outlay	Total
\$ 206,498	\$ -	\$ 34,128	\$ 107,355	\$ 4,351	\$ 24,265,032
-	-	4,240	13,936	-	176,599
120,455	192,490	69,555	377,596	7,657	7,133,369
1,346,186	-	827	685,186	-	7,048,873
449,211	-	224,287	1,595,389	-	8,095,556
46,766	-	1,782,086	10,450	-	7,517,978
\$ 2,169,116	\$ 192,490	\$ 2,115,123	\$ 2,789,912	\$ 12,008	\$ 54,237,407

Mott Community College
Schedule 2 - Details of Auxiliary Activities
Year Ended June 30, 2004

Activity	Fund Balance July 1, 2003	Revenues	Expenditures (1)
Food Service (2)	\$ -	\$ 21,169	\$ 54,297
Vending	-	115,394	-
Outside Catering	-	191,030	241,478
Bookstore--Main Campus	-	318,282	31,602
Bookstore--Lapeer Campus	-	966	80
Pay Phones	-	1,498	-
Campus Kids Day Care	-	49,905	48,203
	<u>\$ - 0 -</u>	<u>\$ 698,244</u>	<u>\$ 375,660</u>

(1) Expenses include amounts allocated from the General Fund for utilities, maintenance and administrative costs. These costs amounted to \$3,089 for food service, and \$31,602 for the bookstore.

(2) The College contracts with a vendor to manage the food service operation. The food service operation was eliminated on July 31, 2003.

Transfers In (Out)

Excess Revenues to General Fund	Excess Revenues Absorbed by Restricted	Excess Expenditures Absorbed by General Fund	Working Capital Increase from (Decrease to) General Fund	Funds Available June 30, 2004
\$ -	\$ -	\$ 33,128	\$ -	\$ -
115,394	-	-	-	-
-	-	50,448	-	-
286,680	-	-	-	-
886	-	-	-	-
1,498	-	-	-	-
1,702	-	-	-	-
<u>\$ 406,160</u>	<u>\$ - 0 -</u>	<u>\$ 83,576</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Mott Community College
Schedule 3 - Details of Endowments and Similar Funds
Year Ended June 30, 2004

	Additions		
	Principal Balance July 1, 2003	Gifts	Income from Investments
Endowment Funds:			
Administered by Mott Community College:			
Abe & Shirley Schreiber Memorial Scholarship Fund	\$ -	\$ -	\$ 509
Art Enrichment Fund	-	-	220
Ava Underhill Scholarship Fund	-	-	41
Begole Brownell Fund	-	-	2,263
Bertha F. Dunlap Trust Fund	-	-	80
Douglas Larmor Music Scholarship Fund	-	-	51
General Scholarship Fund	-	-	307
Goodrich - Skidmore Disabled Veterans Scholarship Fund	5,000	-	102
Jack J. & Gary I. Sarver Memorial Scholarship Fund	10,000	-	203
Nicholas S. Gypots Scholarship Fund	5,000	-	102
O.M. MacArthur Music Scholarship Fund	-	-	136
Oz Kelly Memorial Scholarship Fund	8,000	-	163
Robert Haw Scholarship Fund	25,000	-	509
Sidney B. Melet Scholarship Fund	5,100	-	104
Wendell Williams Scholarship Fund	10,000	-	203
Total administered by M.C.C.	68,100	-	4,993
Administered by others:			
Glen L. Bancroft Trust Fund	201,122	-	25,551
John L. Pierce Educational Fund	134,811	-	20,281
Wesley F. Burdick Scholarship Fund	513,545	-	76,844
William S. Ballenger Trust Fund	30,506,579	-	2,595,864
Vernon A. Martin Trust Fund	46,333	-	11,325
Total administered by others	31,402,390	-	2,729,865
Total endowment funds	31,470,490	-	2,734,858
Funds functioning as endowments:			
Chester Smith Memorial Fund	-	-	1,920
Juanita Carr Estate Library Fund	-	-	2,500
Total funds functioning as endowments	-	-	4,420
Total	\$ 31,470,490	\$ - 0 -	\$ 2,739,278

Deductions					
Gain (Loss) from Disposal of Investments	Administrative Expenses	Distributions	Principal Balance June 30, 2004	Beneficiary Fund	
\$ -	\$ -	\$ 509	\$ -	Schreiber Memorial Scholarship Fund	
4,532	-	4,752	-	Art Division Gifts (PG & G)	
-	-	41	-	Underhill Music Scholarship Fund	
-	-	2,263	-	Begole Brownell Fund (PG & G)	
-	-	80	-	General Scholarship Fund	
-	-	51	-	Douglas Larmor Music Scholarship Fund	
-	-	307	-	General Scholarship Fund	
-	-	102	5,000	Goodrich - Skidmore Scholarship Fund	
-	-	203	10,000	General Scholarship Fund	
-	-	102	5,000	General Scholarship Fund	
2,304	-	2,440	-	MacArthur Music Scholarship Fund	
-	-	163	8,000	General Scholarship Fund	
-	-	509	25,000	General Scholarship Fund	
-	-	104	5,100	General Scholarship Fund	
-	-	203	10,000	General Scholarship Fund	
6,836	-	11,829	68,100		
(248)	1,548	3,344	221,533	General Scholarship Fund	
(857)	977	1,280	151,978	Designated Fund	
(2,838)	3,723	4,873	578,955	General Scholarship Fund	
335,141	213,565	567,315	32,656,704	Unrestricted General Fund	
(742)	347	2,419	54,150	Vernon A. Martin Trust (PG & G)	
330,456	220,160	579,231	33,663,320		
337,292	220,160	591,060	33,731,420		
37,762	-	39,682	-	Chester Smith Memorial Fund (PG & G)	
9,406	-	11,906	-	Juanita Carr Library Grant (PG & G)	
47,168	-	51,588	-		
\$ 384,460	\$ 220,160	\$ 642,648	\$ 33,731,420		

Mott Community College
Schedule 4 - Schedule of Debt Service Requirements
1994 Building and Improvement Bonds
June 30, 2004

Fiscal Year Ended June 30	Interest July 1	Interest January 1	Principal July 1	Total Requirements
2005	\$ 10,238	\$ -	\$ 390,000 *	\$ 400,238
	\$ 10,238	\$ - 0 -	\$ 390,000	\$ 400,238

* Callable

Mott Community College
Schedule 5 - Schedule of Debt Service Requirements
1995 Building and Improvement Bonds
June 30, 2004

Fiscal Year Ended June 30	Interest July 1	Interest January 1	Principal July 1	Total Requirements
2005	\$ 7,125	\$ -	\$ 250,000 *	\$ 257,125
	\$ 7,125	\$ - 0 -	\$ 250,000	\$ 257,125

* Callable

Mott Community College
Schedule 6 - Schedule of Debt Service Requirements
1996 Building and Improvement Bonds
June 30, 2004

<u>Fiscal Year Ended June 30</u>	<u>Interest July 1</u>	<u>Interest January 1</u>	<u>Principal July 1</u>	<u>Total Requirements</u>
2005	\$ 137,250	\$ 132,000	\$ 150,000	\$ 419,250
2006	132,000	126,750	150,000	408,750
2007	126,750	107,500	550,000 *	784,250
2008	107,500	93,750	550,000 *	751,250
2009	93,750	75,000	750,000 *	918,750
2010	75,000	56,250	750,000 *	881,250
2011	56,250	37,500	750,000 *	843,750
2012	37,500	18,750	750,000 *	806,250
2013	18,750	-	750,000 *	768,750
	<u>\$ 784,750</u>	<u>\$ 647,500</u>	<u>\$ 5,150,000</u>	<u>\$ 6,582,250</u>

* Callable

Mott Community College
Schedule 7 - Schedule of Debt Service Requirements
1996-B Energy Conservation Notes
June 30, 2004

Fiscal Year Ended June 30	Interest July 1	Interest January 1	Principal July 1	Total Requirements
2005	\$ 15,598	\$ 15,597	\$ 305,000	\$ 336,195
2006	8,125	8,125	325,000	341,250
	<u>\$ 23,723</u>	<u>\$ 23,722</u>	<u>\$ 630,000</u>	<u>\$ 677,445</u>

Mott Community College
Schedule 8 - Schedule of Debt Service Requirements
1998 Refunding and Building and Improvement Bonds
June 30, 2004

Fiscal Year Ended June 30	Interest July 1	Interest January 1	Principal July 1	Total Requirements
2005	\$ 150,399	\$ 120,415	\$ 1,445,000	\$ 1,715,814
2006	120,415	93,640	1,275,000	1,489,055
2007	93,640	82,030	540,000	715,670
2008	82,030	77,811	135,000	294,841
2009	77,811	74,549	150,000 *	302,360
2010	74,549	71,249	150,000 *	295,798
2011	71,249	65,130	275,000 *	411,379
2012	65,130	58,380	300,000 *	423,510
2013	58,380	51,555	300,000 *	409,935
2014	51,555	44,655	300,000 *	396,210
2015	44,655	37,605	300,000 *	382,260
2016	37,605	30,480	300,000 *	368,085
2017	30,480	23,280	300,000 *	353,760
2018	23,280	15,520	320,000 *	358,800
2019	15,520	7,760	320,000 *	343,280
2020	7,760	-	320,000 *	327,760
	<u>\$ 1,004,458</u>	<u>\$ 854,059</u>	<u>\$ 6,730,000</u>	<u>\$ 8,588,517</u>

* Callable

Mott Community College
Schedule 9 - Schedule of Debt Service Requirements
1999 Building and Improvement Bonds
June 30, 2004

<u>Fiscal Year Ended June 30</u>	<u>Interest July 1</u>	<u>Interest January 1</u>	<u>Principal July 1</u>	<u>Total Requirements</u>
2005	\$ 65,751	\$ 64,795	\$ 45,000	\$ 175,546
2006	64,795	63,839	45,000	173,634
2007	63,839	62,458	65,000	191,297
2008	62,458	61,076	65,000	188,534
2009	61,076	59,376	80,000	200,452
2010	59,376	56,796	120,000 *	236,172
2011	56,796	53,860	135,000 *	245,656
2012	53,860	49,350	205,000 *	308,210
2013	49,350	44,678	210,000 *	304,028
2014	44,678	39,953	210,000 *	294,631
2015	39,953	35,175	210,000 *	285,128
2016	35,175	30,345	210,000 *	275,520
2017	30,345	25,463	210,000 *	265,808
2018	25,463	20,528	210,000 *	255,991
2019	20,528	15,540	210,000 *	246,068
2020	15,540	10,500	210,000 *	236,040
2021	10,500	5,250	210,000 *	225,750
2022	5,250	-	210,000 *	215,250
	<u>\$ 764,733</u>	<u>\$ 698,982</u>	<u>\$ 2,860,000</u>	<u>\$ 4,323,715</u>

* Callable

Mott Community College
Schedule 10 - Schedule of Debt Service Requirements
2000 Building and Improvement Bonds
June 30, 2004

Fiscal Year Ended June 30	Interest November 1	Interest May 1	Principal May 1	Total Requirements
2005	\$ 649,950	\$ 649,950	\$ 700,000	\$ 1,999,900
2006	631,050	631,050	675,000	1,937,100
2007	612,825	612,825	725,000	1,950,650
2008	593,250	593,250	725,000	1,911,500
2009	573,675	573,675	800,000	1,947,350
2010	552,075	552,075	1,100,000	2,204,150
2011	522,375	522,375	1,650,000 *	2,694,750
2012	477,825	477,825	1,675,000 *	2,630,650
2013	432,600	432,600	1,700,000 *	2,565,200
2014	386,700	386,700	1,725,000 *	2,498,400
2015	340,125	340,125	1,750,000 *	2,430,250
2016	292,875	292,875	1,775,000 *	2,360,750
2017	244,063	244,062	1,775,000 *	2,263,125
2018	195,250	195,250	1,775,000 *	2,165,500
2019	146,438	146,437	1,775,000 *	2,067,875
2020	97,625	97,625	1,775,000 *	1,970,250
2021	48,812	48,813	1,775,000 *	1,872,625
	<u>\$ 6,797,513</u>	<u>\$ 6,797,512</u>	<u>\$ 23,875,000</u>	<u>\$ 37,470,025</u>

* Callable

Mott Community College
Schedule 11 - Schedule of Debt Service Requirements
2002 Building and Improvement Bonds
June 30, 2004

Fiscal Year Ended June 30	Interest November 1	Interest May 1	Principal May 1	Total Requirements
2005	\$ 54,490	\$ 54,490	\$ 435,000	\$ 543,980
2006	48,400	48,400	450,000	546,800
2007	41,650	41,650	450,000	533,300
2008	34,113	34,112	450,000	518,225
2009	26,012	26,013	450,000	502,025
2010	17,575	17,575	450,000	485,150
2011	9,025	9,025	475,000	493,050
	<u>\$ 231,265</u>	<u>\$ 231,265</u>	<u>\$ 3,160,000</u>	<u>\$ 3,622,530</u>

Mott Community College
Schedule 12 - Schedule of Debt Service Requirements
2003 Refunding and Building and Improvement Bonds
June 30, 2004

<u>Fiscal Year Ended June 30</u>	<u>Interest July 1</u>	<u>Interest January 1</u>	<u>Principal July 1</u>	<u>Total Requirements</u>
2005	\$ 155,950	\$ 150,600	\$ 535,000	\$ 841,550
2006	150,600	143,600	700,000	994,200
2007	143,600	128,900	1,470,000	1,742,500
2008	128,900	105,900	1,840,000	2,074,800
2009	105,900	76,425	1,965,000	2,147,325
2010	76,425	26,425	2,000,000	2,102,850
2011	26,425	-	1,510,000	1,536,425
	<u>\$ 787,800</u>	<u>\$ 631,850</u>	<u>\$ 10,020,000</u>	<u>\$ 11,439,650</u>

* Callable

Mott Community College
Schedule 13 - Schedule of Debt Service Requirements
2004 Building and Improvement Bonds
June 30, 2004

<u>Fiscal Year Ended June 30</u>	<u>Interest November 1</u>	<u>Interest May 1</u>	<u>Principal May 1</u>	<u>Total Requirements</u>
2005	\$ 225,127	\$ 297,963	\$ 850,000	\$ 1,373,090
2006	276,713	276,713	1,250,000	1,803,426
2007	251,713	251,713	800,000	1,303,426
2008	241,713	241,713	800,000	1,283,426
2009	229,713	229,713	650,000	1,109,426
2010	219,963	219,963	700,000	1,139,926
2011	208,150	208,150	750,000	1,166,300
2012	195,025	195,025	825,000	1,215,050
2013	180,072	180,072	900,000	1,260,144
2014	162,072	162,072	1,000,000	1,324,144
2015	142,072	142,072	1,100,000 *	1,384,144
2016	119,384	119,384	1,200,000 *	1,438,768
2017	93,884	93,884	1,300,000 *	1,487,768
2018	65,609	65,609	1,400,000 *	1,531,218
2019	34,109	34,109	1,475,000 *	1,543,218
	<u>\$ 2,645,319</u>	<u>\$ 2,718,155</u>	<u>\$ 15,000,000</u>	<u>\$ 20,363,474</u>

Mott Community College
Additional Reports Required by
OMB Circular A-133
Year Ended June 30, 2004

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Independent Auditors' Report on Compliance and on
Internal Control over Financial Reporting Based on an
Audit of Financial Statements in Accordance
with *Government Auditing Standards*

To the Board of Trustees
Mott Community College
Flint, Michigan

We have audited the financial statements of Mott Community College, Flint, Michigan, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mott Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Mott Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level that risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

BKR Dupuis & Ryder

Certified Public Accountants
Flint Office

September 9, 2004

**Independent Auditors' Report on Compliance with
Requirements Applicable to each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Trustees
Mott Community College
Flint, Michigan

Compliance

We have audited the compliance of Mott Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Mott Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mott Community College's management. Our responsibility is to express an opinion on Mott Community College compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mott Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mott Community College's compliance with those requirements.

In our opinion, Mott Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control over Compliance

The management of Mott Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mott Community College's internal control over

compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Mott Community College as of and for the year ended June 30, 2004, and have issued our report thereon dated September 9, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards also is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of the Board of Trustees, management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

September 9, 2004

Mott Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

	Pass-through Project #	CFDA	Approved Grant Amount	Accrued (Deferred) Amount 06/30/03
U.S. Department of Education:				
Direct Federal Programs:				
Student Financial Assistance Programs: *				
Supplemental Educational Opportunity Grants: *				
Supplemental Educational Opportunity Grant	02-03	84.007	\$ 351,266	\$ 38,958
Supplemental Educational Opportunity Grant	03-04		351,266	-
Total Supplemental Education Opportunity Grants		84.007	702,532	38,958
Pell Grants:*				
Pell Grant	02-03	84.063	8,250,234	717,682
Pell Grant	03-04		9,361,106	-
Total Pell Grants		84.063	17,611,340	717,682
Federal Work Study:*				
Federal Work Study	03-04	84.033	274,812	-
Total Federal Work Study		84.033	274,812	-
Total Student Financial Assistance Programs*			18,588,684	756,640
Student Support Services:*				
Student Support Services 00-01	00-01	84.042	280,505	2,376
Student Support Services 01-02	01-02		328,708	2,239
Student Support Services 02-03	02-03		341,964	22,266
Student Support Services 03-04	03-04		343,704	-
Total Student Support Services*		84.042	1,294,881	26,881
Upward Bound:*				
Upward Bound	01-02	84.047	311,538	- ⁽¹⁾
Upward Bound	02-03		332,999	3,347
Upward Bound	03-04		339,659	29,461
Upward Bound	04-05		339,659	-
Total Upward Bound*		84.047	1,323,855	32,808
Community Technology Center:				
Community Technology Center	01-02	84.341	631,047	27,996
Community Technology Center-Career Path Enhancement	01-02		323,446	22,192
Total Community Technology Center		84.341	954,493	50,188
Total Direct Federal Programs			22,161,913	866,517
Passed Through Michigan Department of Education:				
Vocational Education: *				
WIDS - Emerging Technologies	82-129	84.048	1,895	594
Teacher Education Conference	82-128		4,320	1,917
Regional Allocation 02-03	various		940,491	211,349
Regional Allocation 03-04	various		879,937	-
Local Administration 02-03	5202-18		20,000	20,000
Local Administration 03-04			21,000	-
Total Vocational Education *		84.048	1,867,643	233,860
Total passed through Michigan Department of Education			1,867,643	233,860

Current Year Expenditure	Current Year Receipts	Accrued (Deferred) Amount 06/30/04
\$ -	\$ 38,958	\$ -
351,266	290,741	60,525
351,266	329,699	60,525
-	717,682	-
8,853,191	8,619,286	233,905
8,853,191	9,336,968	233,905
274,812	274,812	-
274,812	274,812	-
9,479,269	9,941,479	294,430
-	2,376	-
-	2,239	-
46,725	68,991	-
243,934	230,226	13,708
290,659	303,832	13,708
-	-	-
-	3,347	-
293,070	299,811	22,720
29,249	10,808	18,441
322,319	313,966	41,161
59,923	87,919	-
87,641	109,833	-
147,564	197,752	-
10,239,811	10,757,029	349,299
-	594	-
-	1,917	-
-	211,349	-
882,410	757,039	125,371
-	20,000	-
18,879	1,024	17,855
901,289	991,923	143,226
901,289	991,923	143,226

(continued)

Mott Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

	Pass-through Project #	CFDA	Approved Grant Amount	Accrued (Deferred) Amount 06/30/03
U.S. Department of Education: - (continued)				
Passed through Genesee Intermediate School District:				
Technical Preparation Education:		84.243		
Technical Preparation Education 02-03			111,000	30,476
Technical Preparation Education 03-04			92,658	-
Total Tech Prep		84.243	203,658	30,476
Total passed through GISD			203,658	30,476
Total U.S. Department of Education			24,233,214	1,130,853
U. S. Department of Health and Human Services:				
Direct Federal Programs:		93.925		
Scholarships for Disadvantaged Students	02-03		36,710	4,470
Scholarships for Disadvantaged Students	03-04		159,774	-
Total Direct Federal Scholarships for Disadvantage Students			196,484	4,470
Passed through Genesee County Community Action Agency:		93.600		
CDA Head Start	02-03		47,985	4,050
CDA Head Start Personnel	02-03		15,000	421
Total passed through GCCAA		93.600	62,985	4,471
Passed through the National Youth Sports Corporation:		93.570		
National Youth Sports Program 2003			58,000	(38,323)
National Youth Sports Program 2004			60,000	-
Total passed through NYSC		93.570	118,000	(38,323)
Total U. S. Department of Health and Human Services			377,469	(29,382)
U.S. Department of Labor:				
Direct Federal Programs:		17.261		
Workforce Development Institute for Simulation Technology			1,275,000	126,678
Workforce Development Institute for Simulation Technology			1,000,000	-
Total Direct Federal Workforce Development Institute for Simulation Technol		17.261	2,275,000	126,678
Total U. S. Department of Labor			2,275,000	126,678
U.S. Department of Justice:				
Direct Federal Program:				
Community Orientated Policing Services:		16.710		
COPS - Universal Hiring Program	2001UMWX0111		75,000	20,690
COPS - In Schools	2001SHWX0166		125,000	19,621
Total Direct Federal Community Oriented Policing Services:		16.710	200,000	40,311
Passed through National Police Athletic Leagues:		16.541		
Police Athletic League Youth Enrichment	2002-MU-MU-0010		24,946	(5,805) ⁽¹⁾
Police Athletic League Youth Enrichment			15,224	-
Police Athletic League Youth Leadership Council			5,000	-
Total Passed Through National Police Athletic Leagues		16.541	45,170	(5,805)
Total U.S. Department of Justice			245,170	34,506

Current Year Expenditure	Current Year Receipts	Accrued (Deferred) Amount 06/30/04
-	30,476	-
92,658	-	92,658
92,658	30,476	92,658
92,658	30,476	92,658
11,233,758	11,779,428	585,183

-	4,470	-
39,634	37,634	2,000
39,634	42,104	2,000

17,592	15,086	6,556
-	-	421
17,592	15,086	6,977

50,769	12,446	-
2,529	40,200	(37,671)
53,298	52,646	(37,671)
110,524	109,836	(28,694)

438,159	493,810	71,027
24,014	6,158	17,856
462,173	499,968	88,883
462,173	499,968	88,883

11,908	32,598	-
22,434	42,055	-
34,342	74,653	-

5,805	-	-
2,496	10,149	(7,653)
1,040	2,000	(960)
9,341	12,149	(8,613)
43,683	86,802	(8,613)

(continued)

Mott Community College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

	Pass- through Project #	CFDA	Approved Grant Amount	Accrued (Deferred) Amount 06/30/03
Other Federal Programs:				
U.S. Department of Housing and Urban Development:				
Direct Federal Program:		14.246		
Workforce Development Institute for Simulation Technology			498,900	2,082
Workforce Development Institute for Simulation Technology			268,245	-
Total Workforce Development Institute for Simulation Technology *		14.246	767,145	2,082
Total U.S. Department of Housing and Urban Development			767,145	2,082
Army Research Office:				
Passed through the Academy of Applied Science				
Research and Engineering Apprenticeship :		12.431		
REAP 03-04	DAAD1991006 0317/0318		5,000	(1,178)
REAP 04-05			5,000	-
Total Army Research Office		12.431	10,000	(1,178)
Office of State and Local Domestic Preparedness Support (OLDPS):		16.007		
Passed through the State of Michigan:				
2003 State Homeland Security Grant Program (SHSGP)			4,000	-
Passed through Genesee County				-
2003 State Homeland Security Grant Program Part II (SHSGP)			2,500	
Total Office of Local Domestic Preparedness Support			6,500	-
Direct Federal Programs:				
National Science Foundation:				
Manufacturing Simulation Technology Project		47.076	719,760	56,604
National Endowment for the Humanities:				
New Media Classroom		45.162	3,900	3,900
U.S. Department of Commerce:				
Technology Opportunities Program		11.552	826,948	178,402
Total Other Federal Programs			2,334,253	239,810
Total Federal Awards			\$ 29,465,106	\$1,502,465

* = Major Program

Current Year Expenditure	Current Year Receipts	Accrued (Deferred) Amount 06/30/04
49,803	5,881	46,004
429	-	429
50,232	5,881	46,433
50,232	5,881	46,433
1,178	-	-
3,721	5,200	(1,479)
4,899	5,200	(1,479)
1,645	-	1,645
1,448	-	1,448
3,093	-	3,093
63,271	86,626	33,249
-	-	3,900
118,124	263,216	33,310
239,619	360,923	118,506
<u>\$ 12,089,757</u>	<u>\$ 12,836,957</u>	<u>\$ 755,265</u>

Mott Community College
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2004

- Notes (1) Restated to properly report an accrual and reclassification of revenue at June 30, 2003.
- (2) The Schedule of Expenditures of Federal Awards was prepared using the modified accrual basis of accounting.
- (3) A reconciliation of revenues reported in the basic financial statements and the Schedule of Expenditures of Federal Awards is as follows:

Federal revenues – basic financial statements	\$12,511,337
Federal contracts not shown on Schedule of Expenditures of Federal Awards	<u>(421,580)</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$12,089,757</u>

Mott Community College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part I

1. Did the auditee expend more than \$25,000,000 in federal awards during the fiscal year? Yes X No
2. If answer to question 1 was yes, indicate which federal agency provided the predominant amount of direct funding. _____

Part II – Financial Statements

Type of auditor's report issued: Unqualified

Going concern explanatory paragraph included Yes X No

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified Yes X None reported

Not considered to be material weaknesses?

Noncompliance material to financial statements noted? Yes X No

Findings related to the financial statements reported in accordance with *Governmental Auditing Standards*:

There were no findings and questioned costs relating to federal awards for the year ended June 30, 2004.

Part III – Federal Programs

Type of auditor's report issued on compliance for major programs: Unqualified

Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending greater than \$300,000 in Federal awards that have separate A-133 audits which are not included in this audit? Yes X No

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee Yes X No

Is a reportable condition disclosed for any major program? Yes X No

Is any reportable condition reported as a material weakness? Yes X No

Are any known questioned costs reported? Yes X No

Was a Summary Schedule of Prior Audits Findings Prepared? X Yes No

Mott Community College
Schedule of Findings and Questioned Costs – (continued)
Year Ended June 30, 2004

Part III – Federal Programs – (continued)

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007	Supplemental Educational Opportunity Grant
84.033	Federal Work Study
84.063	Pell Grant
84.048	Vocational Education
84.042	Student Support Services
84.047	Upward Bound
14.246	Workforce Development Institute for
	Simulation Technology

Mott Community College
Schedule of Prior Year Findings and Questioned Costs
June 30, 2004

There were no prior year findings and questioned costs.

October 10, 2004

Board of Trustees
Mott Community College
1401 East Court Street
Flint, Michigan 48503

We have audited the financial statements of Mott Community College (the College) for the year ended June 30, 2004, and have issued our report thereon dated September 9, 2004.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, dated August 2, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the College. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

In planning and performing our audit of the financial statements of Mott Community College for the year ended June 30, 2004, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the College are described in Note 1 to the financial statements. No new accounting policies were adopted in 2004. We noted no transactions entered into by the College during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were estimated useful lives of plant and equipment and uncollectible receivables.

Management's estimate of the useful lives of plant and equipment is based on historical life of assets and the collectibility of receivables is based on past collection history. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the College that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that needed to be recorded within the financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the College's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with

us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the College's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Comments and Recommendations- 2004

Sarbanes-Oxley Act ("the American Competitiveness and Corporate Accountability Act of 2002")

This federal legislation enacted in 2002 Affecting Public Companies was the culminating result of occurrences at the corporate level such as criminal fraud, Chief Executive Officer greed, lax corporate governance, and questionable accounting practices. The legislation subjects public companies to new standards for governance and other requirements. We want to make you aware that many states are considering implementing legislation to have similar requirements established for not-for-profit entities. The thought being that the public trust demands the same standards be applicable to not-for-profits. Concepts of the Sarbanes-Oxley provisions potentially relevant to not-for-profit organizations are:

1. Establishment of an Audit Committee- composed of members with no financial interest in or any other conflict of interest with any entity doing business with the Organization.
2. Certification of the Financial statements by the CEO and CFO.
3. Responsibilities of External Auditors- lead partner rotation and professional skepticism applied each year in the engagement.
4. Insider transactions and conflicts of interest- prohibition of loans to any board members or management.
5. Whistle-Blower Protection- a confidential and anonymous process adopted to encourage employees to report any inappropriateness within the entity's financial management. In addition, there should be no repercussions levied against the whistle-blower. The benefit of this process is that a message is sent throughout the Organization that inappropriate misconduct will not be tolerated and that ethical business practices are expected.
6. Document Destruction- written, mandatory document retention and periodic destruction policy. The latter should include guidelines for handling electronic files and voicemail and should also address back-up procedures, archiving of documents and regular check-ups of the reliability of the system.

Members of the Board
Mott Community College
October 10, 2004
Page 3

We would be glad to discuss the merits of each concept listed above for consideration by the College.

Should you have any questions regarding this letter please contact us. We want to communicate our appreciation to the Accounting Department for the cooperation and courtesy afforded us during the audit. We also want to thank the Board for the opportunity to serve as the College's independent auditors.

Sincerely,

A handwritten signature in cursive script that reads "BKR Dupuis & Ryden".

BKR Dupuis & Ryden
Flint Office